

White House claims report clears Reagan

BY LIONEL BARBER IN WASHINGTON

THE WHITE HOUSE yesterday welcomed the release of the Senate intelligence committee report on the Iran arms scandal, claiming it cleared President Ronald Reagan of involvement in the secret diversion of funds to Contra rebels in Nicaragua. The report — the most comprehensive account of the scandal available — was released on Thursday evening following intense pressure from the White House and Republicans on the committee. In their calculation, it was better to publish a damaging report now than endure damaging speculation about the President's role for the next few months. Democrats said the 63-page chronology finds no evidence that Mr Reagan knew or approved of the funds diversion. The report is, however, by no means the last word on the affair. Two separate bipartisan committees in the Senate and House of Representatives have opened their own investigations which will take at least six months. Hearings are likely to begin next month on alternative weeks, ensuring maximum publicity to the affair. The report contains damaging discrepancies in the testimony of two top Reagan Administration officials: Mr William Casey, the director of the Central Intelligence Agency, who is recovering from brain surgery and Mr Donald Regan, the White House Chief of Staff whose future is in some doubt. It also suggests that Israeli Government officials were a powerful influence on the original decision to sell arms to Iran and were also involved in sending captured Soviet bloc arms to the Contra rebels in Nicaragua. The White House acknowledged yesterday for the first time secret US dealings with Iran "could be interpreted as a trade of arms for hostages."

Carlucci embarks on tour to assess Contra support

BY LIONEL BARBER IN WASHINGTON

MR FRANK CARLUCCI, the Reagan Administration's new National Security Adviser, met with top military and government officials in El Salvador yesterday as part of a three-day fact-finding mission in Central America aimed at assessing support for the Contra rebels in Nicaragua. Mr Carlucci's trip comes amid signs of intense infighting within the Contra rebel movement and bleak forecasts of the Contra's chances of defeating the forces of the leftist Sandinista Government in Nicaragua. The prevailing wisdom in Washington is that the Contras need some decisive military successes if they are to have any hope of securing further military aid from the Reagan Administration, particularly in the light of the Iran arms scandal. President Reagan vowed in his State of the Union speech

Former banker jailed for defrauding Morgan

BY WILLIAM HALL IN NEW YORK

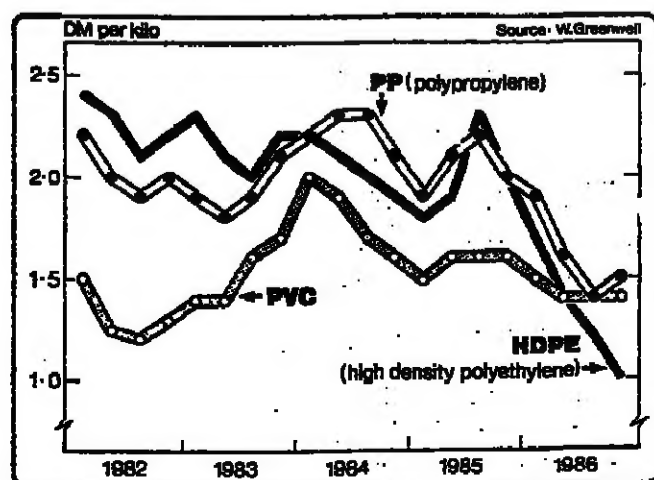
MR ANTONIO GEBAUER, the former international banker who used to run Morgan Guaranty's Latin American operations, has been jailed for 31 years after pleading guilty to defrauding Morgan of \$4.3m. Federal Judge Robert Sweet described the 46-year-old Mr Gebauer as a "fallen angel of the banking world" who had a "princely income" but spent "like an emperor." The Colombian-born Mr Gebauer was one of the more colourful figures on the international banking circuit at the height of the Third World debt crisis four years ago and used to throw lavish parties at his fashionable Long Island estate before his abrupt resignation as a senior vice-president of Morgan Guaranty in 1985. He subsequently joined Drexel Burnham Lambert, the

Senate agrees homeless aid

The US Senate passed emergency legislation early yesterday to provide \$50m in aid for the homeless, AP reports from Washington. The House of Representatives passed the bill on Tuesday but the Senate, in approving it 77-6, amended the measure, so it must be returned to the House for further consideration. The Senate approved an amendment that earmarks \$5m of the total for mentally ill, homeless veterans of the armed forces. Under the measure, \$50m would be added to the \$70m already allocated this year to the emergency food and shelter programme. The new funds would be taken from the Federal Government's disaster relief programme, which provides assistance to victims of natural disasters. The money would be made available to groups that distribute aid to the homeless, including the American Red Cross, United Way and Catholic Charities.

EEC faces stiff resistance to probe into plastics industry prices

BY WILLIAM DAWKINS IN BRUSSELS AND TONY JACKSON IN LONDON



AN EEC investigation into pricing in the plastics industry looks like widening into a full-scale row. Next Wednesday, the European Commission will decide whether to take West Germany to the European Court of Justice for allegedly failing to enforce Community rules against cartels. Commission inspectors staged dawn raids on eight companies last week, in France, Belgium, Germany, Italy, Spain and the Netherlands, seeking evidence of price fixing in two commonly used plastics, PVC and polyethylene. Seven companies handed over documents as requested; one — Hoechst of West Germany — refused point blank, and backed its refusal with a local court injunction against the inspectors.

Mr Peter Sutherland, EEC Commissioner for Competition, is to ask permission at a full meeting of the Brussels authorities on Wednesday for an order telling Bonn not to force Hoechst to let the inspectors in. The other seven companies visited by 18 Commission inspectors were BASF of West Germany, Dow of the US — at plants in Spain and the Netherlands — Solvay of Belgium, Atochem and Cdf Chemie of France, Alcadia of Spain and Enichem of Italy. This is the fifth time in the past year that the Commission has used its draconian powers of search, which allow it to examine and seize any documents it likes, on chemical companies. EEC cartel officials insist the sector has not come in for tougher scrutiny than any other.

The latest inquiry seems to relate to actions taken by the companies some time ago. It is based, officials say, on evidence picked up during a similar case started in 1983, which ended last year with 15 companies being fined a record £37m for fixing prices of polypropylene, another widely used plastic. Some of those companies — Hoechst included — are involved in this

cause the West German Government great embarrassment. In line with EEC regulations, a cartel official from Bonn took part in last week's abortive raid but could not stop the company applying successfully for a provisional protection order from the Frankfurt Administrative Court. The order merely means the Frankfurt court thinks Hoechst might have a case, and will decide later. But the injunction seems enough to cause a row with the Bonn cartel authorities, if only because of a 1987 German law obliging companies to co-operate with investigations by EEC competition officials. Meanwhile, the Commission has the power to check up to €5,000 for each company failing to co-operate. In admitting the inquiry, the Commission is saying it is not a world of the world's companies. B. The rest are charged and found guilty of running a cartel — a decision made by the full Commission — they could face fines of up to 10 per cent of annual sales of the products involved. The companies raided include some of Europe's biggest producers of PVC, and polyethylene. PVC is made by BASF, Solvay, Hoechst and Atochem, though the biggest PVC producer of the lot, a recently formed joint venture between ICI and Enichem, seems not to have been involved. Investigations into polyethylene seem to have been concerned mostly — but not exclusively — with the type known as high-density polyethylene (HDPE). This is made by Hoechst, BASF, Enichem, Alcadia, Solvay and Dow. Neither product has been very profitable in recent years, in PVC according to Mr David Glass of consultants Chem. Systems, margins have im-

proved lately but are still by no means satisfactory. "The problem with PVC," he says, "is that making it involves a hell of a lot of capital. If margins move the wrong way you can lose your shirt. The industry was losing a lot in 1985, and much more again in 1982." In HDPE, the market has shown remarkable growth lately — some 8 per cent by volume in 1986. But capacity has grown at least as fast in the past three years, from producers in France, Spain, Belgium and Austria, pushing down operating rates and margins. If producers have been trying to rig the market in these two products, they have not been very successful. But then, the polypropylene cartel was a pathetic failure too, with enormous losses being made by the producers throughout its period of operation.

A Financial Times Survey SMALL BUSINESSES
The Financial Times proposes to publish a Survey on the above on Wednesday, April 8 1987. For further information, please contact: ANDREW WOOD on 01-248 5116. FINANCIAL TIMES Europe's Business Newspaper The content, style and publication date of the Survey in the Financial Times are subject to change at the discretion of the Editor.

Argentina poses arrest threat to trawlers

By Tim Coone in Buenos Aires

FOREIGN trawlers venturing outside the 150-mile Falkland Islands fisheries management zone (FICZ) which comes into force tomorrow face possible arrest by Argentine coast guard and naval vessels. Mr Daniel Caputo, the Argentine Foreign Minister, said in a local radio interview on Thursday evening that Argentina will exercise jurisdiction over what it claims as its territorial waters in the south Atlantic "up to 200 miles measured both from the mainland and from the Malvinas." He said that the 150-mile FICZ will be respected to avoid confrontation with British naval ships and fisheries protection vessels but "outside the 150 miles we are going to exercise our jurisdiction." The decision will create serious problems for foreign trawlers which have applied for British licences to fish within the FICZ. To enter or leave the FICZ they will have to cross a 50-mile "flag" zone patrolled by Argentine vessels. If they are detained for inspection of their logbooks the trawler captains may face confiscation of their catches and gear and fines of up to \$1m if it is proved they were fishing within waters claimed by Argentina. Furthermore, fishing industry experts believe that it will be unprofitable for foreign trawlers to restrict themselves to fish only within the FICZ, and that to all the holds they will be obliged to venture into waters which will now be more actively patrolled by the Argentine navy. Unofficially it is expected that a "buffer zone" of 10 miles extending beyond the edge of the FICZ will not be ventured into by Argentine ships to avoid confrontation with the Royal Navy. But beyond the buffer zone foreign trawlers which do not have permission from Argentina to fish will be subject to arrest.

Brazil raises prices despite wages impasse

By Ivo Dawson in Rio de Janeiro

THE BRAZILIAN Government has begun raising retail prices in spite of an apparent impasse in talks with the unions over wage increases. President Jose Sarney had hoped that a social pact on salaries and prices could be agreed this week, with senior officials adding that the absence of the deal could force the government to act unilaterally. On Thursday night, however, Mr Almir Pazianotto, the Labour Minister, was ready to abandon the talks with no government proposal apparently in sight. In the absence of an agreement, Mr Dilson Funaro, the Finance Minister, decided to press ahead with price rises allowing increases of up to 28 per cent on a range of domestic electrical goods. The decision provoked a new row between the ministers with Mr Pazianotto saying it was precipitate and would damage any hopes of an agreement. Mr Funaro said special supply problems in the electrical sector had forced action, which should not affect the low paid. The continued question mark over pay has added to uncertainty about the economy and a growing clamour of union militancy. At the same time employers are unclear as to how to pitch their price rise demands, when wage bills remain an unknown quantity. Union leaders have been demanding staged increases to take the national minimum salary from its current Cr 964 (\$80) a month to Cr 4,884. The government has been discussing the possibility of aiming at a basic monthly rate of Cr 1,645.

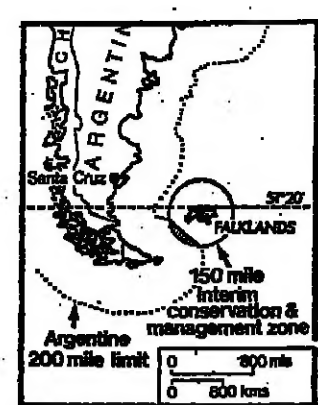
Germany falls out over milk sale to Africa

By Peter Bruce in Bonn

THEY MAY not know it in Lohit or Luanda in Angola, but a trainload of Bavarian powdered milk, possibly destined for the war-torn country, has become famous in West Germany. The state Government of Bavaria has set a tough fight to attempt to stop the sale, at rock-bottom prices, of 3,000 tonnes of the milk as animal feed to Angola, Egypt or as yet unnamed countries. Munich has not specified the kind of animal it expects to enjoy a feedstuff derived from powdered milk. But what is known is that the entire load, 150 rail cars full, is highly radioactive and hardly fit for a human to look at, let alone consume. The milk was contaminated last year when the reactor at Chernobyl in the Soviet Union blew up, sending a radioactive cloud over western Europe. A dairy near Rosenheim, south-east of Munich, subsequently condemned the milk powder and until recently all 150 wagons had been lying in the local station while the authorities tried to decide what to do with it. Suddenly, things began to move. Dozens of the rail cars are now in Bremen harbour and the other 50 in Cologne, after someone bought the stuff and asked the Bavarian Government for authority to export it. The left-wing Government in

Argentina takes cautious line on fishing zone

Robert Graham and Tim Coone assess the chances of conflict as Falkland's deadline nears



PREDICTIONS can be foolhardy in international relations, especially where Britain and Argentina are concerned. The British Government is, however, remarkably confident that when the 150-mile fisheries protection zone comes into force around the Falkland Islands on February 1, no serious incidents with Argentina will occur. Mr Timothy Eggar, a junior Foreign Office minister, told a recent meeting of the House of Commons select committee on Fisheries that "We are reasonably confident there will be no determined effort to break the (new fishing) regime." The Argentine Government too has been cautious, in marked contrast to its bellicose protestations when Britain announced the fisheries protection measures last October. Mr Dante Caputo, the Argentine Foreign Minister, in his latest reference to the issue said Argentina should show "firmness and prudence," limiting itself to "peaceful and effective backing" of its country's rights in the disputed waters. The Argentine Navy and coastguards have let it be known that they will be respecting a 10-mile "buffer zone" to prevent possible clashes and allowing an adequate margin of error for fishing vessels. Such a buffer zone has been in force since 1983. The US Government, which was unhappy about Britain declaring the FICZ (Falkland Islands Interim Conservation and Management Zone) is understood to have put strong pressure both on Whitehall and Buenos Aires to avoid incidents. The US has offered its good offices to ensure that "tripwire" mechanisms exist. The Soviet Government, which last July signed a bi-lateral fishing deal with Argentina, has given assurances to Britain that it will respect the FICZ. The Soviet fishing fleet has been the largest operating in Falkland waters but along with Bulgaria and East Germany has not applied for licences to fish in the FICZ. Licences have been issued to Polish fishing companies and Spanish groups — the latter also having joint ventures with Argentine companies to fish in Argentine waters. Both sides are nevertheless aware of the dangers in the situation. Almost one third of the FICZ extends over waters claimed by Argentina as part of its own 200-mile territorial zone. This is quite separate from the latter's sovereignty claim to the islands themselves. The most likely point of potential conflict is where trawlers stray outside the FICZ. Mr Julio Torres, editor of the Argentine fisheries magazine *Redes*, says many foreign trawlers could find the FICZ uneconomic and will be tempted to move north for the valuable squid up to the 200-mile territorial limit claimed by the UK around the islands and contested by Argentina. Most of the incidents last year occurred near Argentine coast guards arrested five vessels and fired upon two the most serious incident being the crippling of a Taiwanese trawler.

The legal implications of the 150-mile fishing zone have been carefully worked out by Foreign Office lawyers, but the situation is far from clear. Indeed, in recognition of Argentina's 200-mile territorial claim extending from its own coast, the FICZ in the south western edge has been shortened. What is significant in this area, which is closest to the Argentine southern mainland, the protection zone enforced by Britain since 1982 takes no account of Argentina's territorial claim. In other words, British warships and aircraft reserve the right to patrol and intercept vessels in a slightly larger area and closer to the Argentine coast. Britain has made a point of detaching fisheries protection to the Falklands Government. It is being carried out by two civilian vessels on hire and one aircraft. Argentina still has not formally ended its state of belligerency with Britain. Last November, President Raul Alfonsín offered to end hostilities provided Britain removed the protection zone. Mrs Margaret Thatcher, the British Prime Minister, views the protection zone as a necessary safety net to ensure proper protection of the fishing regime — at least for this season. The possibility of hardline elements in the Argentine Navy challenging the new regime cannot be ruled out, especially in waters to which Argentina has a recognised legal claim. For the high season (February to June) 230 licences have been granted. This means that roughly one-third fewer vessels will be fishing than during the same period last year — underlining Britain's commitment to ensure proper management and conservation of fish stocks. Conservation of fish stocks and the failure of a British initiative for the multi-lateral regime to control fishing via the UN Food and Agriculture Organisation was the justification for Britain's unilateral move. With each licence costing £50,000 to £60,000 the Falklands Islands Government will be earning some £7m from fees. It will, however, have to pay £4m for civilian fisheries protection. Since the licence fee is based on 5 per cent of estimated catch, the rough total catch value in the high season could be a minimum £230m. The main catch is squid, the *Loligo argentum*, but there are also hake and blue whiting.

EEC farmers attack US grain pact

By George Graham in Paris and Tim Dickson in Brussels

EUROPEAN farmers yesterday reacted angrily to the EEC's decision to provide compensation to the US for grain sales lost to the Community because of Spain's accession. The compensation agreement was formally signed yesterday by all EEC states, but only after some tough bargaining which lasted into the early hours of yesterday morning. European maize farmers say they are the main victims of the agreement, which will allow the US to ship 2m tonnes of maize and 300,000 tonnes of sorghum to the EEC at reduced prices. They have threatened legal action to obtain compensation. In France, which accounts for more than 50 per cent of the Community's 24m-tonne maize output, farmers warn that they may start demonstrations against the accord next week. They feel they have been outflanked by the cognac lobby — which wins from the US-EEC accord the lifting of a three-tonne per hectare limit on brandy exports to the US — and may have to take their case to the streets. In Britain, Mr Simon Gourlay,

president of the National Farmers' Union, said the EEC concessions had gone too far. The agreement would "aggravate the EEC surplus problem, drive more grain into intervention and add to the cost of the Common Agricultural Policy." "Producers cannot be expected to bear the costs of what is essentially a political decision," he added. Thursday's meeting of EEC ambassadors in Brussels, which was called to ratify the agreement, was unexpectedly prolonged when the Spanish delegation sought reassurances from the European Commission over their concern that the four-year agreement could disrupt their own domestic market. Representatives of the French grain producers said yesterday that the US had played its cards skilfully and attached the European Commission and the Community governments for "giving in without a fight." Other cereal producers are not so directly affected, but they fear the accord will depress the overall cereal market and have joined the maize farmers in their protest. They estimate the agreement could reduce wheat prices by as much as FF 20 a tonne.

Star Wars advance reported

By Peter Marsh

RAPID TECHNICAL advances make it conceivable that a Star Wars anti-missile system could be deployed far sooner than originally envisaged, a top US defence scientist said yesterday. Dr Allan Menze, acting chief scientist of the Strategic Defence Initiative Organisation — the Pentagon body overseeing the programme — said in London that by 1992 he expects engineers to have demonstrated that some form of shield to defend the US against Soviet missiles was feasible. Dr Menze also said that on practical grounds Star Wars scientists are turning away from using weapons based on X-ray lasers, the development of which has been a highly secretive and controversial part of the project. X-ray lasers were "not very attractive," Dr Menze said, because they required a nuclear explosion in order to operate. Such a blast would blind the sensors that would form a vital part of a Star Wars installation. Use of nuclear warheads would introduce other complications. For instance, civilian agencies might be required to inspect them before use. In his discussion about early deployment of an SDI system, Dr Menze appeared to be supporting hints within the Reagan administration, particularly from Mr Caspar Weinberger, the Defence Secretary, that a limited Star Wars system could be in place by the early 1990s. It had previously been assumed that the SDI programme's goal was an anti-missile shield in the late 1990s or early next century.

Dr Menze said the optimism resulted from experiments with sensors and lasers that had gone better than expected. Sensors both on satellites and on the ground would be vital in monitoring the progress of Soviet missiles. Laser weapons, together with miniaturised rockets armed with homing warheads, would be used to destroy incoming targets. Dr Menze also said the SDI Organisation had rethought plans for the computer network needed to control the system. Instead of one computer, which would be a complex system — which critics have said would be virtually impossible to develop — there will be a large number of computers, each able to control a single part of the system. Software for these machines would be much easier to produce, Dr Menze claimed.

EEC steel exports hit 7-year high

By William Dawkins in Brussels

THE EEC exported just over 25m tonnes of steel in 1986, the highest level for seven years, according to the European Commission. With imports running at just 8.6m tonnes, Community steel producers recorded a 16.6m-tonne trade surplus in 1986, a clear consequence of the sluggishness of demand from EEC industrial consumers. Asia was the biggest buyer, accounting for nearly a quarter of exports.

Lack of unity costs EEC Ecu 125bn, says report

By William Dawkins in Brussels

THE European Economic Community is losing about Ecu 125bn (£94bn) a year because of the community's "lack of unity and continued fragmentation," according to a report being prepared for the European Parliament. In spite of real advances in the creation of a free internal market, the cost of remaining barriers to trade within the EEC "represents a considerable burden on the economies of member states," concludes the report by Sir Fred Catherwood, deputy chairman of the European Democratic Group, the alliance of Conservative MEPs. Sir Fred, a former director general of Britain's National Economic Development Council, stresses that his figures are rough guesses, but points out that at least they suggest the huge scale of the problem.

France rejects plan for European arms forum

By Patrick Blum in Vienna

FRANCE yesterday rejected a US-backed proposal for a forum to discuss conventional force reductions across Europe. This is expected to delay the west's response to an appeal by the Warsaw Pact last year for new negotiations on substantial reductions in conventional forces "from the Atlantic to the Urals." Mr Pierre-Henri Renard, head of the French delegation at the Vienna Conference on Security and Co-operation in Europe (CSCE), said yesterday his country would not participate in either "alliance to alliance" (Nato to Warsaw Pact) talks or in a "process that was not linked to the CSCE." The statement was seen as a rebuff to suggestions made on Monday by Mr Warren Zimmerman, the head of the US delegation at the CSCE, who argued that the new talks would be entirely separate from the CSCE process with only 23 members of the two alliances participating directly, at least in a first phase of the negotiations. The remaining 12 neutral and non-aligned countries participating in CSCE but not involved in these negotiations "could be kept informed." Nato agreed on new talks at a meeting in Brussels last December and Mr Zimmermann had expressed the hope that talks on a forum would start shortly. Differences with France over the nature of the talks, however, have already prevented a formal response being sent from Nato to the Warsaw Pact this week. France believes the talks should remain anchored within the CSCE process and that all the 35 participating countries should be involved.

Government states case for Trident

BY DAVID BUCHAN, DEFENCE CORRESPONDENT

THE GOVERNMENT yesterday detailed for the first time its argument that the Trident missile system was the only credible future nuclear deterrent for Britain, in what was clearly designed as a political pre-emptive strike against the Alliance parties' call for an alternative nuclear defence.

Mr George Younger, the Defence Secretary, issued an "Open Government Document" on the alternatives mooted by the Liberal SDP Alliance to the £9.3bn Trident weapon programme.

Published on the eve of a big Alliance campaign rally in London, the document concluded that Trident offered "much the most cost effective replacement for Britain's existing Polaris/Chevaline system."

Most of the nine-page document is devoted to arguing the case against cruise missiles, on the grounds of their vulnerability to fast-improving Soviet air defence and the cost of a cruise system as lethal as Trident.

The Government also claims the French M-3 ballistic missile is not far enough advanced to be ready in time for Britain's nuclear defence needs.

Dr David Owen, the SDP leader, immediately rejected government arguments against alternatives to Trident. The

Alliance was not arguing for a "sophisticated, super-power system" equivalent to Trident, he told a press conference. British submarines could be converted to carry cruise missiles at far less cost than Trident, while the M-3 missile was not that far behind the development of Trident, which had only just had its first flight test, he claimed.

Mr Younger said yesterday that it was now too late to opt for an alternative to Trident in time to replace Polaris by the mid-1990s.

However, publication of the document, which reveals very recent assessments and rejections of alternatives to Trident, indicates a certain continuing defensiveness on the part of the Government about its choice six years ago to buy Trident from the US.

This stems partly from the Government view that it is politically more vulnerable to the Alliance call for an alternative nuclear deterrent than to the Labour Party's call for none at all.

Mr Younger rejected a suggestion that the new document was Tory propaganda. In fact, his ministry had been quietly re-evaluating alternatives to Trident, if only to reject them once again.



Mr George Younger: too late to opt for alternative.

Mr Younger yesterday expressed complete confidence that a future US Administration would deliver Trident to the UK in the early 1990s.

Britain had a firm contract, on which nearly £1bn had been spent and £3bn committed. Democrats in the US as well as Republicans, supported the Trident sale and cancellation was conceivable only in the

nearly unthinkable likelihood of the US abandoning the North Atlantic Treaty Organisation, Mr Younger said.

But the Defence Secretary said he hoped for "closer and closer" general defence co-operation with France, for which Mr Andre Giraud, his French counterpart, had been enthusiastic. However, Mr Younger said: "If I thought the French system (the M-3) would be ready in time to fill the Polaris gap, it might be a realistic possibility. But it is very clear it will not be ready."

The Government claims that for a "minimum deterrent" equivalent to Trident, Britain would need 400 submarine-launched cruise missiles (SLCMs) at sea at any one time, chiefly because these missiles, which fly at 500 miles per hour, would be increasingly vulnerable to Soviet air defences. Such defences against aircraft or missiles are not limited by treaty, unlike defences against high-speed ballistic missiles.

To keep 400 SLCMs at sea, Britain would need five submarines always on patrol, specially adapted to this role, the Government estimates. To do this, a total of 11 such submarines would be required, the cost of which would exceed that of having the four planned Trident submarines.

Soviet trip may give Thatcher poll boost

BY PETER RIDDLE, POLITICAL EDITOR

MRS THATCHER yesterday stressed the importance of continuity in European leadership in dealing with the Soviet Union when she spoke about her visit to Moscow at the end of March.

In an interview with the Press Association, the Prime Minister talked for the first time about her trip, to follow a visit to the Soviet Union by Mr Tim Renton, a Foreign Office Minister, a fortnight ago, and visits here by senior Soviet figures next week. The trip could form an important part of the build-up to the general election campaign.

One theme of the interview was the need for continuity of government in Europe given that Mr Mikhail Gorbachev, the Soviet leader, was likely to be around for "a very long time" and because of the change of US President within the next two years.

Without referring specifically to President Reagan's current political difficulties, the clear implication was that only Mrs Thatcher could provide such continuity and experience at an important and sensitive time in international relations. This is likely to be underlined by Conservative publicity and contrasted with Labour's approach.

Mrs Thatcher said she hoped "we will be the nation that has the continuity of Government and leadership. I think it is really rather necessary at the moment in the western world when we are a time when by the constitution the US has to change its president."

"We will have Mr Gorbachev around for a very long time. This is just the time when we want similar continuity of experience in governments throughout Europe."

Mrs Thatcher warned against expecting any "immediate achievements from her visit" to the Soviet Union. She said she would talk about the longer-term issues. She highlighted recent proposed changes within the Soviet Union and said: "You have much more confidence in a country if you think they are taking measures to improve human rights, to allow more people to come out, and slightly to free up the economy."

"I think the Soviet Union has come to a stage where it knows that its present system is not providing the goods and the standard of living the people want."

Tories seize on report attacking London councils

BY OUR POLITICAL EDITOR

CONSERVATIVE leaders yesterday sought to make a political issue out of this week's Audit Commission report on the running of London boroughs.

Mr Nicholas Ridley, the Environment Secretary, said the picture was "of gross inefficiency laced with a liberal dose of malice." He argued that the eight boroughs examined spent more than comparable authorities, but had worse services.

Mr Ridley added: "The atmosphere of distrust and suspicion in these town halls and the constant interference by councillors in management simply makes management impossible, so good people go elsewhere." He argued that those who really suffered were residents and ratepayers.

On the same theme, Dr Rhodes Boyson, Minister for Local Government, told a party meeting last night that the Audit Commission's report had "a direct political warning for all the country in the behaviour of the hard-left Labour councils in London and elsewhere."

Unions pledge to fight compulsory job cuts at Rover

BY JOHN GRIFFITHS AND IVOR OWEN

TRADE UNION leaders believe Austin Rover will obtain voluntarily only a few of the 1,285 white-collar redundancies it announced on Thursday.

The opposition to compulsory job cuts promised by the unions last night could provoke an industrial relations confrontation in the next few months. Such a dispute could hardly come at a worse time for the state-owned Rover Group's volume cars business.

Despite export successes, Austin Rover's UK market share fell by more than 2 per cent last year.

Mr Paul Talbot, national organiser for the car industry at ASTMS, said last night that "our people are pretty shocked" by the announcement, details of which were given to all of Austin Rover's 37,000 employees as they arrived for work.

The unions are to meet with management again on February 18. In the meantime they are calling on their members not to apply for early retirement or voluntary redundancy. They are also urging sponsored MPs to raise the matter with Mr Paul Channon, the Trade and Industry Secretary.

ASTMS, which has 3,000 members at Austin Rover, has told the company it is opposed to the cuts.

The contention that Austin Rover will not obtain its full voluntary share of 1,285 redundancies is based on the unions' belief that most of those

qualifying for early retirement have already gone during earlier cuts or voluntary schemes.

Of the 1,285 jobs, 367 are in middle-to-senior management and grades; 335 in engineering and technical grades; 588 in clerical and 175 in supervisory roles.

Some 400 redundancies are being sought at the Birmingham plant of Longbridge and Dursley Lane; 450 at the Cowley assembly plant; 200 at the Canley headquarters near Coventry; 100 at Swindon's body plant; and 50 at Llanelli, south Wales, with smaller numbers going at minor facilities.

A company statement said the union view on voluntary redundancies was too pessimistic, but acknowledged that some compulsory redundancies would be needed.

Mr Geoffrey Pattie, Minister for Information Technology, came under strong attack from Labour MPs in the Commons yesterday when he insisted that it would not be "proper" for him to comment on the redundancies.

He said: "Austin Rover must be free to determine employment levels in line with market conditions."

Mr Terry Davis, a Labour industry spokesman, said the redundancies confirmed fears that the Government and the company were prepared to settle for only a 15 or 16 per cent UK market share in production limited to around 450,000 cars a year.

BA confirms crack found in wing spar of Jumbo jet

BY LYNTON MCLEIN

BRITISH AIRWAYS confirmed yesterday that it discovered a 4-inch crack in a load-bearing wing spar on one of its ageing Boeing 747-100 Jumbo jets a week ago.

The \$100m (£66m) Jumbo jet will be out of service for weeks. BA is expected to cut out the cracked spar and send it to Boeing in Seattle, US, for tests.

The announcement came as the airline entered the final countdown for the offer for sale of its shares, which closes next Friday at 10 am.

The crack was discovered on January 23, four days before the prospectus for the offer for sale of shares was published on Tuesday.

The airline said yesterday: "A small crack was discovered in the rear wing spar on a BA Boeing 747-100 while the aircraft was transiting at Kuwait. The aircraft has been ferried, without passengers, to Heathrow Airport for repair. As a precautionary measure, BA has carried out checks on all operational 747-100 aircraft in its fleet and all have been cleared to continue flying."

The Civil Aviation Authority added yesterday that the crack, which was not significant and did not pose serious problems, had caused a fuel leak. The cracked load-bearing spar formed an integral part of the fuel tank on the Jumbo jet airliner's wing.

The aircraft have three load-bearing spars in each wing, but the full load of the 340-tonne laden Jumbo jet can be taken by two spars.

The BA prospectus lists 16 Boeing 747-100 Jumbo jet aircraft with an average life of 14.7 years in the BA fleet. The airline has already announced plans to replace these aircraft in a \$2.3bn investment programme for 16 new Boeing 747-400 aircraft.

The CAA, which licenses air routes and approves fares for UK airlines, is to have its borrowing limits for the current financial year cut by over a third from £14m to £9m.

The other is Rudolf Wolf, owned by Noranda, the Canadian mining company, whose omission from the case is likely to fuel speculation that dian courts.

The ITC's creditors are about to carry the battle to the Canada. The new writ will come days after the ITC states it moves to counter the creditors.

This week the Department of Trade and Industry initiated proceedings to strike out claims by Rayner, Beristford Metals Corporation and six banks. London lawyers for the other member-states have also issued summonses against Rayner.

Britoil in deal to delay rig delivery

By Lucy Kellaway

SCOTT LITHGOW, the struggling offshore construction yard, has announced another delay in completion of the Ocean Alliance, the semi-submersible rig which was due to be delivered to Britoil in 1984.

The final delivery date, which was set for March this year, has now been pushed back to November.

As a result of the delays Scott Lithgow has had to pay Britoil an estimated £12m. The latest delay will mean "further payments of a more limited magnitude," Britoil said yesterday.

Trafalgar House, which bought Scott Lithgow in 1984, said the delay was at Britoil's request and a deal had been struck which suited both companies.

"They don't have any work for the rig at the moment, and we need to keep the yard open," he said.

The Ocean Alliance is the only contract at Scott Lithgow and occupies about 1,500 workers. The only other work on the yard's books is a 10-week contract for Cunard this summer.

"This deal will give us a breather while we look for new contracts," Mr James Poole of Trafalgar said yesterday. In November Scott Lithgow announced plans to cut its workforce by two-thirds to 700. The rig, the biggest of its sort built, is particularly suited to drilling in deep waters. This kind of drilling, because of its high costs, has been badly hit by the fall in oil prices.

Britoil said yesterday that the rig would not be unemployed when it was finally delivered, and that a drilling programme, mainly in the deep waters to the west of the Shetland Islands, had been put together.

Mr David Walker, chief executive of Britoil, wiped the yard luck yesterday. "Britoil appreciates the efforts made by both management and workforce at Scott Lithgow to complete the rig, and hopes that the experience and skills acquired in the process will enable the yard to compete effectively for future work."

Oil production in the UK sector of the North Sea declined in 1986 for the first time. Average daily output of 2.56m barrels was down 1 per cent on the 1985 total, said the monthly Royal Bank of Scotland/Radio Scotland index, writes James Buxton.

December was the second successive month in which it fell, with output at the second lowest level in the year as a result of bad weather and continuing repairs to the Flotta pipeline.

Most Courage pub managers take tenancies

By Lisa Wood

A MAJORITY of public-house managers in the Courage brewery estate have taken up the company's offer to become tenants of their houses, Courage announced.

Earlier this week Courage, the sixth largest brewery, said that about 830 Courage and John Smith's houses run by managers were returning to tenancies. This follows a review of the business begun during its ownership by the Hanson Trust.

Earlier this week Courage, the sixth largest brewery, said that about 830 Courage and John Smith's houses run by managers were returning to tenancies. This follows a review of the business begun during its ownership by the Hanson Trust.

Some 70 per cent of managers have taken a six-month trial tenancy.

Clive Wolman follows the elusive trail of the world's biggest trickster

Shares 'sting' that netted £100m

IT HAS become the largest fraud to have been exposed in the past half-century, according to international regulators.

The high-pressure telephone selling of shares of negligible value at massively inflated prices is estimated to have caused small investors around the world losses of £200m in 1985 alone.

One of the two largest operators in this field, who is believed to have pocketed about £100m over the past four years, is Mr Irving Kott. Most of his profits have come from an Amsterdam-based company, First Commerce Securities, which was shut down by the Dutch authorities last spring and whose managing director was subsequently arrested.

By contrast, Mr Kott was able to pack his bags and leave Europe for his native Canada when the going got tough.

Mr Kott is now known to have been behind the establishment in 1985 of a share-offering operation based in the City of London called Investors Discount Brokerage, which the Department of Trade and Industry is investigating. The company is estimated to have between 2,000 and 3,000 clients.

Mr Kott's involvement in securities fraud dates back to the early 1970s in Canada. He

was fined \$500,000 (£326,000) by an Ontario court in 1976 for the deceitful promotion of shares in a mining company. After three attempts on his life by underworld figures—the last led to the blowing up of his car—Mr Kott decided to diversify overseas.

He followed the lead of another convicted Canadian fraudster, Mr David Winchell, to Amsterdam, where he resumed his activities through a company called First Commerce Securities. He is now also linked with companies in Panama and Cyprus and is thought to be setting up an operation in Hong Kong or Australia.

Since 1976, he has always escaped the risk of prosecution by operating, with the assistance of his son, Mr Michael Kott, through an elaborate network of companies. Their parentage can usually be traced back to Caribbean tax havens where their beneficial ownership is kept secret.

Securities regulators around the world, from the US Securities and Exchange Commission to agencies in the Far East, carry thick files on Mr Kott. However, none has been able to accumulate enough evidence to bring charges against him, even if it were possible to locate and arrest him.

So far there has been only

one success in unmasking a Kott connection, and that success just illustrates the difficulties faced by international regulators.

Last summer, the Dutch police discovered a Bermudan connection with First Commerce from the documents they seized at its Amsterdam offices during their raids last May.

The main share that First Commerce was selling over the telephone, at mark-ups of between 1,000 and 10,000 per cent, was in a venture capital company developing a metal extraction process, called DeVoe-Holheim. This company was linked to a Bermuda-registered company Windswept International, most of whose shares were owned by another Bermudan company, Schreiber.

Nearly all Schreiber's shares were owned by a Bermudan businessman Mr Ross McPhee, who was president of a Canadian brokerage company which was wound up by the authorities in 1978 after an investigation of securities offences involving Mr Kott. Mr McPhee at first refused to name the true beneficial owners of the shares he was holding. But eventually he was compelled by the Bermudan authorities to disclose that the owner was Ms Dominique Shitkate, who lives in Canada and has had a

close personal relationship with Mr Kott.

Both Windswept and Schreiber were struck off the Bermudan companies register in October and November. Mr Kott is thought to have transferred their assets into other companies based in Panama.

Mr Barry Rider is head of the Commonwealth Crime Unit, a part of the Commonwealth Secretariat, which is one of the few bodies which acts as a co-ordinating agency and conduit for information between those agencies regulating economic crime. Interpol, the Paris-based international police organisation, acts only as an intermediary between police forces.

Mr Rider believes that Mr Kott and internationally mobile fraudsters are successful because the enforcement agencies are unable to pool their information and co-ordinate their activities effectively. The lack of resources devoted by governments to combating international economic crime arises mainly from a lack of popular interest, he says.

"Law enforcement is oriented towards individual cases in a particular country and loses its interest at the first strike. But you have to maintain an interest in criminals who are moving from country to

GALLAHER

Growing strength in all key areas

Sales and profits in 1986 were a record. At £3.4 billion sales were 10% ahead and trading profits before exceptional items rose by a substantial 17% to reach £153.3 million. A 7% increase in profits before tax was achieved, despite exceptional provisions including £23 million for the closure of the company's tobacco location in Belfast. Interest charges were significantly lower.

Both tobacco and non-tobacco divisional trading profits improved with increases of 20% and 5% respectively. Since 1981 tobacco profits have risen by 67% and non-tobacco 131%.

Summary of Results for year ended 31st December, 1986 (unaudited)		
	1986 £ million	1985 £ million
Group Sales	3,404.7	3,095.0
Group Trading Profit	153.3	131.1
Interest Charges	(14.0)	(21.4)
Group Profit (before Taxation)	117.4	109.7

Tobacco

The domestic operation achieved strong growth of 3.5% in cigarette volume in a smaller market. Market share was up over two points at 35.5% with strong performances from Benson & Hedges Special Filter, Silk Cut and Berkeley. Export sales made good progress in Duty Free and European markets and volume was maintained in the Middle East despite a sharp downturn in that market.

Cigars did well with Hamlet, Filatoff and Benson & Hedges Small Cigars showing growth and reinforcing Gallaher's dominant position in the market. Though pipe and roll-your-own tobaccos were less buoyant, share of market was defended successfully.

In total the overseas companies achieved better results with Niemeyer in the Netherlands sharply ahead.

Optical

Sales of over £117 million reflected records in all countries. Dollond & Aitchison, as the UK's largest optical group, underwent a period of major change arising from deregulation of the market. Nevertheless, it contributed significantly to the division's profits after absorbing substantial new expenditure on marketing and promotions.

Excellent results were achieved by the rapidly growing Spanish company, General Optica, and in Italy, Salmatighi Vignano made good progress.

Engineering

A 41% rise in trading profits shows some of the benefits achieved from the re-organisation and modernisation carried out in recent years. Mono Pumps made the most rapid progress but Saunders Valve and FIP were also higher.

Distribution

Increased profits were achieved with particularly good results from TM Group vending operations.

The acquisition of NSS during the year makes the Fortbuys/NSS group one of the largest retail chains in its sector. NSS results for 10 weeks are included.

Office Products

Ofex Group made good progress particularly in its major UK manufacturing operations. In Australia results improved following re-organisation.

Housewares

Overseas companies' results were adversely affected by exchange rates and in the UK there were production problems in the first half of the year. Good progress was made in the second half.

Outlook for 1987

The Group, with its wide interests, has gained strength in all its key areas and expects to continue its record of consistent growth.

S. G. CAMERON, CHAIRMAN

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UK NEWS

Satellite TV group seeks £120m in equity finance

BY RAYMOND SNOODY

BRITISH SATELLITE Broadcasting, winner of Britain's direct broadcasting by satellite franchise, seeks to raise £120m of new equity finance for the project by April.

Documents giving full details of the plans to broadcast three new channels of national television from high-power satellite dishes as small as 30cm in diameter will be sent early next month to corporations which have expressed interest.

The original shareholders, Granada, Virgin, Pearson (publisher of the Financial Times), Amstrad Consumer Electronics and Anglia Television have already committed themselves to investing £80m.

The group underwrote the additional £120m needed to launch the service and seeks to place that underwriting with five or six new investors.

BSB expects that new investors will commit themselves to sums ranging from £10m to £30m. The project is expected to cost about £500m, with a second round financing of £300m including loan finance once the £200m in equity is committed.

Mr Andrew Quinn, managing director of Granada Television and co-ordinator of the BSB consortium, said that he envisaged a total of not much more than 10 investors. New investors

would have to accept the basic concepts on which the Independent Broadcasting Authority awarded the franchise.

Possible investors include companies which were members of the four losing consortia. Companies believed to be interested include Mr Alan Bond's concern Bond Corporation of Australia, which now has a stake in TV-am subject to IBA approval; Reed International; Dixons; and British and Commonwealth Shipping.

Mr Jerome Sedoux, chairman of the Charquers transport and communications group in France and a partner in the group running the French fifth channel, until the end of February, is also interested. There have been approaches from television organisations in the US.

Talks on the future financial structure of BSB continue at the same time as the group negotiates with satellite manufacturers. The aim is to sign a contract for satellite manufacture, also by April.

Four satellite manufacturers have agreed to supply satellites, which become BSB's responsibility only when they are actually in orbit.

They are RCA and Hughes, both of the US; EuroSatellite,

the consortium responsible for the French and West German DSD satellites due to be launched this year and next; and British Aerospace.

The price is expected to be in the range of £100m-£180m, depending on launch dates and facilities offered.

Mr Derek Lewis, finance director of Granada Group, says BSB is trying to bring forward the launch of Britain's DSB service by one year, to 1989.

"We would dearly like to do it in 1988, and it is clearly a possibility," he said.

BSB plans to use the satellite's three 24-hour channels to provide four channels of programming—general entertainment, films, children's and family viewing, and news and live events. They would be funded by a mixture of advertising and subscription.

Mr Lewis says that all the signs are that the receiving equipment for the DSB channels will cost about £200.

DBS assumes that by the eighth year of the 15-year franchise revenue will have risen to £594m a year at 1986 prices, made up of £259m from advertising and £335m from subscription, breaking even in the third or fourth year.

Amstrad computer leads home market

By David Thomas

THE LOW-COST personal computer launched in September by Amstrad shot to the top of the UK market last month, overtaking IBM, the traditional market leader, according to a new survey.

Amstrad, the fast growing UK consumer electronics company, appears to be expanding the overall market, as other companies' sales of personal computers in November and December did not decline.

In December, the first month in which Amstrad's computer became widely available, its machines accounted for 26 per cent of personal computers sold through dealers, against 25 per cent for IBM, according to Romtec, a specialist research organisation.

This result is confirmed in provisional figures from Context, another micro-computer research organisation, which monitors sales from high street retailers as well as from dealers.

Amstrad, unlike IBM, sells its personal computer through both types of outlet, which suggests that its less in unit sales over IBM is even larger than Romtec's figures show.

Romtec believes Amstrad's high street sales might be as much again as the 25,000 units it sold through dealers in December.

However, IBM still leads the market in terms of value, because its personal computers are more expensive than Amstrad's.

Mr Marek Vaygalt, a Romtec analyst, said the Amstrad machine would continue to sell strongly because there was still much unsatisfied demand for it.

Overall for 1986, unit sales by dealers of personal computers in the UK jumped 42 per cent to about 255,000, though revenue growth was less than 20 per cent, because of a fall in average prices of 27 per cent.

For the whole year, IBM had 38 per cent of unit sales through dealers, followed by Apricot with 16 per cent, Amstrad 9 per cent and Olivetti 7 per cent.

David Churchill on official concern at selling tactics for holiday homes

Watchful eye on timeshare industry

THE Department of Trade and Industry plans to keep a close watch on developments in the European timeshare industry and may consider supporting European Community legislation to give greater protection to consumers.

This follows the publication last week of the department's advice to British consumers to act cautiously when considering investing in a timeshare property.

Department of Trade officials have met their EEC counterparts to look at ways of strengthening consumer protection against rogue timeshare schemes.

Both the Government and the Office of Fair Trading are increasingly concerned at the high-pressure selling tactics used to market timeshare properties.

Sir Gordon Borrie, director general of fair trading, said: "Timeshare seems to be a boom sector at present and, as with all such booms, it has attracted a mixture of sellers—perfectly reputable organisations and others whose selling methods have attracted considerable criticism."

"There are few legal controls over this market at present and consumers need to be on their guard," he added.

The concept of timesharing originated in 1955 in the French Alps where it became common for holidaymakers to buy hotel rooms for a period of time rather than renting them.

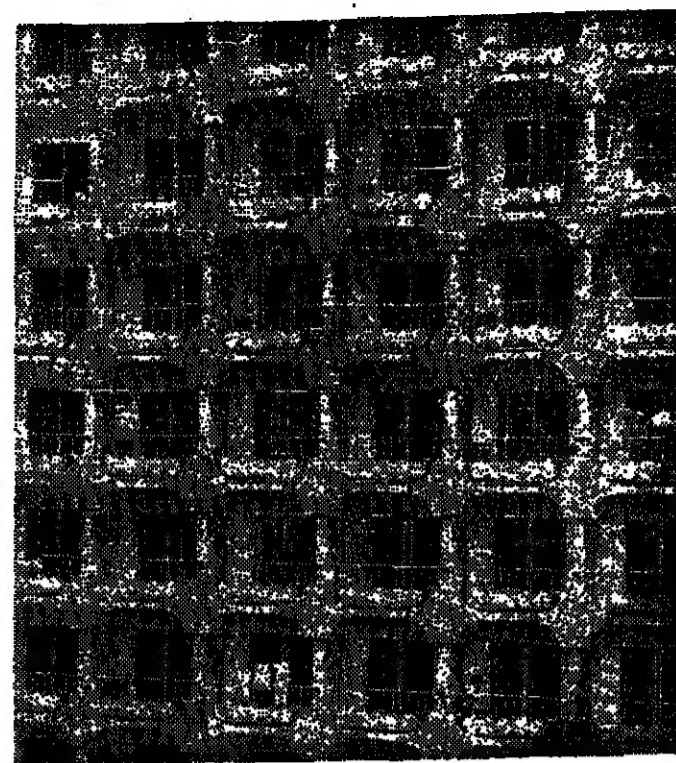
The idea took off in the early 1970s in the US at a time when inflation had largely destroyed the market for vacation homes.

The idea arrived in the UK when the Lord Rannoch holiday resort was built in the Scottish Highlands.

Timesharing, at its simplest, is a method of owning weekly periods of a property, usually at a holiday resort, for a number of years. In England and Wales a share can last for up to 80 years, while in Scotland and Europe it is available in perpetuity.

There are an estimated 2,000 timeshare resorts worldwide, with over 40 in the UK, catering for some 1.3m owners, of which 80,000 are British.

Timesharing can be regarded



Time-share properties in Benidorm, Spain

as either a shrewd property investment or as a useful hedge against rising package holiday prices.

For those who want to invest in holiday property either in the UK or overseas, some investments can offer quick capital gains, although most timeshare developers discourage buying properties for short-term profits.

Most people buy timeshares as a holiday investment, although with the present price war among the major tour operators the need to guard against rising hotel prices seems minimal.

Many timeshare owners, however, invest in a property because it gives them access to similar self-catering properties throughout Europe and the US. This is through exchange schemes operated by such companies as Resort Condominiums International or Interval International.

There are more than 1,800 developments worldwide affil-

ated to these companies, catering for some 800,000 timeshare owners. For an annual subscription of between £38 and £42 and a similar exchange fee, owners can swap their weeks in different resorts round the world.

The problems that have arisen with timesharing have stemmed from its economics. A timeshare scheme of 50 apartments, for example, means that rights to each of these apartments are available for sale for 50 weeks of the year (with the other two being allowed for decorating and maintenance).

This creates some 2,500 timeshare units available to be sold to individual buyers.

The low response rates for direct selling of such investments to individuals means, for example, that if there is only a 2 per cent success rate then some 125,000 prospective purchasers need to be approached to achieve the 2,500 sales.

Such a marketing analysis

gives some idea of why the timeshare operators go to such extremes to attract consumers.

Virtually any British holidaymaker in the major Spanish resorts will face an almost ceaseless barrage of attempts by young men or women trying to interest them in visiting a timeshare property.

Individuals are lured out to see timeshare properties with the promise of free gifts, lunch, or travel. Once at the property, the individual is subjected to a high-pressure sales technique, often lasting several hours.

Many holidaymakers, unused to and sometimes flustered by such attention, are often unable to resist the wiles of the salespeople who can earn commissions of more than £500 a week.

The key problem is that, in the cold light of day, the holidaymaker may realise that he or she neither can afford, nor wants, a share in a timeshare condominium.

In the UK, such purchases would be covered by existing consumer protection laws which give individuals the right to a cooling-off period. (This was introduced after complaints about high-pressure sales techniques by some life assurance salespeople.)

However, such tactics used in Spain and other European resorts are not covered by UK laws. Several of the major timeshare developers have banded together and now offer a five-day cooling-off period in which customers can change their minds—although this has apparently not prevented some high-pressure sales techniques in the initial stages.

Even so, both Sir Gordon and Mr Michael Howard, Consumer Affairs Minister, have felt it necessary to publish advice to would-be timeshare buyers to think very carefully and seek professional advice before signing anything or paying over money.

Yet both men are well aware that consumers often fail to heed such advice. They may consider that the only effective way to curb the rogue timeshare company may be for the European Commission to step in.

Gorbachev 'has put his money on the Tories'

By Our Political Editor

MR MIKHAIL GORBACHEV, the Soviet leader, is "putting his money on a Conservative victory" at the next election, Mr Tim Renton, a Foreign Office Minister of State, claimed last night following his visit to Moscow earlier this month.

Mr Renton told a party meeting in Nottingham that the Kremlin leader would take this view "not because that is what he wants—Labour would be the soft option for the Kremlin—but because he doesn't believe the British are fools either."

He said: "Britain under this Government has gained the respect of the Soviet Union. They regard us as a serious and worthwhile country bent on economic recovery."

Student grants to rise by 3.75% in line with inflation

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

MR KENNETH BAKER, Education Secretary, said yesterday that student grants would go up by 3.75 per cent for the academic year starting in the autumn, in line with the forecast rise in the retail price index.

The increase was criticised by the National Union of Students and by Mr Giles Radice, Labour's education spokesman. Ms Vicky Phillips, the NUS president, denounced it.

In England and Wales, grants for undergraduates living away from home while studying in London will rise from £2,348 to £2,330, and for their counterparts studying elsewhere from £1,901 to £1,872. The increase for undergraduates living in their family homes will be from £1,510 to £1,567.

Rises for Scottish undergraduates will be: away study-

ing in London from £2,191 to £2,273, away studying elsewhere from £1,846 to £1,915, and living at home from £1,390 to £1,442.

Corresponding rises for postgraduate students will be from £3,386 to £3,492, from £2,756 to £2,859, and from £2,000 to £2,075.

All the rates will be reduced on a sliding scale if a student's parents have a residual income—taxable income less certain allowances for dependents and for interest payments—of at least £9,000—up 6.8 per cent on the "income threshold" for the 1986-87 academic year.

The Government, which plans partly to replace outright grants to students with repayable loans, was accused by Mr Phillips of deliberately keeping grants low so as to make a loans system seem more attractive.

Third Market index launched

BY ALICE RAWSTHORN

INVESTORS will be able to monitor the progress of the Third Market, the Stock Exchange's new centre for dealing in the shares of small companies, for the first time next week through a share price index being introduced by Credit Suisse Fribourg & Morges, the stockbroker.

CSFB, which plans to sponsor companies on to the Third Market, will produce from Monday a weekly index covering every company quoted on the new market. The index will monitor share price movements through-

out the week and will be published on the following Monday. The index may be produced more frequently—such as daily—if demand justifies it.

Datastream, the financial information service, intends to launch a daily Third Market index. Its plans are still at an early stage with technical details yet to be finalised.

It is thought likely that the index will adopt a similar format to the Unlisted Securities Index produced by Datastream for the past five years.

Datastream is also consider-

Time called on pub licensing bill

By Ivor Owen

ADVOCATES of more flexible opening hours for public houses and licensed clubs in England and Wales suffered a reverse in the Commons yesterday.

A private member's bill designed to permit licensed premises, subject to the approval of local magistrates, to open at any time between 10.30 am and 11.30 pm from Monday to Saturday failed to secure a second reading.

There were cries of "shame" and "disgraceful" from supporters of the bill when, in accordance with precedent, Mr Ernest Armstrong, the deputy speaker, refused to close the debate because there had been insufficient time, just 100 minutes, to discuss the bill.

The debate was automatically adjourned and the bill now has little chance of becoming law.

A private members bill making it an offence, punishable by a maximum fine of £2,000 or up to six months' imprisonment, to sell lethal crossbows to persons under the age of 17 was given an unopposed second reading in the Commons yesterday.

Wide support for Loyalist petition on Ulster pact

BY OUR BELFAST CORRESPONDENT

THE QUEEN is to be presented with a petition signed by more than 400,000 Loyalists asking the Government to hold a referendum in Northern Ireland on the Anglo-Irish Agreement.

Unionist leaders, announcing a total of 402,752 signatures, said the response had exceeded their hopes. However, Mr James Moynihan MP, leader of the Official Unionist Party, admitted that he expected the Government to deny a referendum.

The number of signatures is not far short of the total votes cast in parliamentary elections a year ago, when the Unionist candidates got more than 400,000 votes for their

stand against the agreement.

Mr Moynihan said: "The result shows that people have been inspired to turn out, as in their democratic right, and say in a peaceful and legitimate way that they will not have this agreement."

He predicted the Government's first response would be to say that the petition made no difference.

The Rev Ian Paisley, Democratic Unionist Party leader, said: "If Mrs Thatcher says no to this, our campaign of civil disobedience will be fully justified. We have taken the constitutional road and it is the Government—not us—who are blocking that road."

NBC sells two more Yorkshire bus companies

By Hazel Duffy

TWO MORE Yorkshire bus and coach companies belonging to the National Bus Company were sold yesterday. The sale follows the purchase of Yorkshire Tractor by a group of its managers on Wednesday.

The West Riding group was sold in a two-part deal. The bus operations, and some coaches, have gone to the present management team. The main coaching business, based in Sheffield and called National Travel East, was bought by ATV Holdings, parent company of coach dealer and operator Carlton PSV.

The sale is one of the largest in NBC's privatisation programme.

Defence industry future lies in co-operation

BY DAVID BUCHAN AND LYNTON MCLEIN

CRITICISMS By Europe and the US of each other within NATO were largely unjustified, even on the issue of defence sales and collaboration, Dr Joseph Luns, former NATO Secretary General, told an FT defence conference in London on its second day, yesterday.

The lack of weapons standardisation and inter-operability and of a proper "two-way street" in arms sales between Europe and the US were undoubted failings of NATO, Dr Luns said. Europe naturally resented having to buy arms from the US than it sold to it. The US recognised this imbalance, however, and had recently taken action to remedy it.

Even more important than the economic benefits, in terms of the cost sharing and saving to be gained from a better balance in trans-Atlantic arms production, were the military benefits and improving NATO's unity of political purpose, Dr Luns said.

Mr John Keras, Sikorsky's vice-president for international business, said the future of the global helicopter business lay in co-operative ventures.

He cited his own company's recent tie-ups with Westland in the UK, with Mitsubishi in Japan, with Hawker de Havill-

and GAF in Australia, and with Embraer in Brazil. He announced a new Sikorsky joint venture in South Korea.

Sikorsky hoped to take advantage of money voted by Congress for NATO collaborative projects to develop the X-wing prototype aircraft, combining advantages of fixed and rotary wing aircraft.

The helicopter sector, Mr Keras said, was an industry with technology to be shared not duplicated, with over-capacity to be used not protected and with markets to be served jointly not through institutionalised competition.

Mr Mark Miller, Boeing Aerospace president, spoke of

the prospect of short-term constraints on US defence projects. "There is a continuing need to reduce the US national deficit," he said.

The US defence budget was likely to show zero growth or slightly above for three or more years. "This will limit new initiatives in defence and at worst could lead to the cancellation of projects."

International co-operation was necessary to share risks and to provide the best system at the lowest cost. "This makes good business sense and is as applicable to military projects as to civil programmes," he said.

He forecast that the Strategic Defence Initiative would remain politically sensitive and there would be procedural difficulties in the award of contracts. The US Government had already let \$25m (£16.3m) of SDI contracts to UK industry, he said.

Mr Michael Heseltine, former Defence Secretary, said in a luncheon speech that the UK could not hope to be a capitalist power in the same league as the US. "The UK can never be a partner with the US, the UK is too small," he said.

It was only Europe that could

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We don't claim to be perfect. We all make mistakes and for that reason we believe that the only accurate way of judging a tip sheet is by looking at how all of its recommendations perform over a fairly long and recent period. Recent form must rate highly. Any period has to be arbitrary, but the table below records all new recommendations made in the period from April to September 1986 (losses included). Judge for yourself.

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List of ALL ICSL recommendations from April 1986 to September 1986			
Company name	Rec. Date	% gain/loss	£1,000 invested
Instem	2-4-86	25+	910
Harrisons & Crosfield	9-4-86	25+	1,250
Scottish Heritable Trust	16-4-86	2	1,020
John I Jacobs	30-4-86	10	1,100
Bensons Crisps	14-5-86	45	1,450
Avana	21-5-86	2+	1,020
Nat West	21-5-86	23	1,230
BOC	4-6-86	26	1,260
Johnstone's Paints	4-6-86	71	1,710
IBL	11-6-86	-11	890
Leigh Interests	18-6-86	12	1,120
James Fisher	25-6-86	9+	1,090
Abbey Life	2-7-86	22	1,220
EIS	16-7-86	26	1,260
Anstralian Con Mins	23-7-86	85+	2,210+
Australian Con Mins	23-7-86	156	1,560
Borland	23-7-86	-15	850
Enterprise Gold	23-7-86	110+	2,690+
Enterprise Gold	23-7-86	227	2,690+
Metana	23-7-86	122+	2,690+
Metana	23-7-86	216	2,690+
North Kalgurli	23-7-86	46	1,460
Ellick	30-7-86	9	1,090
Benroose	6-8-86	31	1,310
John Maunders	27-8-86	24	1,240
William Bedford	3-9-86	12	1,120
Henderson	10-9-86	-10	900
Process Systems	17-9-86	22	1,220
Average		33.2+	

*Sale 1st time of partial sale recommendation.
†Performance assumes full holding is retained in the case of partial sales.
(List excludes new issue and up-date comments).

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FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4A 3DF
Telegrams: Finantime, London P64. Telex: 8954871
Telephone: 01-248 8000

Saturday January 31 1987

The ice begins to crack

JUST WHEN many opinion leaders were beginning to despair of any useful response, either in trade flows or in policy, to the strains and the large currency adjustments of the last two years, things have begun to happen. The sharply reduced US trade deficit for December, and the downward revision of the reported November deficit, have revived American hopes that devaluation is beginning to work. At the same time the action of the Bundesbank in supplying liquidity to the German money market on a large scale, reducing market rates by more than 50 basic points, shows that the authorities there are at last worrying more about growth prospects than about monetarist doctrine. The dollar yesterday rallied quite sharply without any help from the central banks, and everyone should be able to sleep a little better this weekend.

This could easily prove to be another false dawn: the British have learned from long experience not to build too much hope on a single month's figures, and the January trade figure for the US could easily be awful again. At least, though, they will be fairly easy to explain away. It was only on Thursday that the threat of a 200 per cent US import tariff on gin, brandy and a range of other EEC products was lifted, and no doubt there were some massive clearances through customs to prepare for a possible siege.

The agreement which lifted that threat, and the more important agreement which cleared away the procedural obstacles to the Punta del Este trade round were the really big developments of the week. It seems clear that in trade negotiations, as in setting interest rates, the economic powers have had a good look into the abyss, and drawn back. Provided that the momentum can be sustained, this is a big policy turning-point, alongside the American relaxation of monetary policy in 1982, to make the debt crisis manageable, and the Plaza agreement on exchange rates of 1985. The aim now is to seek sensible monetary and trade arrangements, and to seek them by agreement.

Important trends

Can it all work? The new trade round is certainly ambitious. It involves a serious attempt to tackle farm subsidies, and for the first time it will bring in trade in services, intellectual property rights, and a regime for capital flows. It will take a matter of years to cover such an agenda, since

trade negotiations involve endless horse-trading between countries and ad hoc interest groups; and since current problems are pressing, some trade authorities fear that the start of this effort has been left desperately late. The protectionists will be offering tempting quick fixes while the talks grind endlessly on.

This is why the economic trends which have begun to appear are so important. If the enormous imbalances which reached a record in 1986 are visibly beginning to correct themselves, then the world almost certainly has time enough for the haggling. It is still far too early to judge what may be happening to American trade flows; but in Britain there is now enough evidence to be suggestive.

Devaluation works

The trade figures for December and for 1986 as a whole seem to have attracted headlines about a slide back into deficit; but it is the export trends which really deserve a mention. In the past three months of 1986 the volume of British exports, excluding oil and erratic items, was 34 per cent higher than in the previous three months, and 94 per cent higher than a year earlier.

This sustained export growth through the year has not protected the trade balance, because of low oil prices and the very high level of imports to satisfy the consumer boom; but it does show beyond doubt that devaluation works. The latest CBI trends survey gives every reason to hope that the trend will be sustained—and a warning that there may be price to pay. Devaluation has made British goods more competitive, but it has also made British industrialists less inhibited about raising their prices.

Another announcement showed how long it takes for the response to a devaluation to come through fully. Vauxhall, the UK arm of General Motors, plans to raise its UK output by 100,000 vehicles in three years, and at the same time Opel, its German affiliate, will raise its UK purchases by £200m. This response to relative prices will improve the UK trade account by nearly £1bn when it is complete. Similar moves are being made by US multinationals, with the same long lead times; the latest figures for civilian purchases of investment goods in the US suggest that quite a strong production and efficiency drive is now beginning there. Provided the results show in time, the policy changes initiated this week have every chance of sticking.

Understatement, even self-deprecation, is encouraged. Pinned to the wall about their firm's power, Cazenove people tend to stammer about their good luck, or about being fortunate in their friends.

Yet this image of the gentleman amateur is a long way from reality. Cazenove is the most powerful of firms, firmly and ably well connected, and its list of corporate clients is far longer than its nearest rivals. This gives the firm enormous patronage, which it uses to persuade investors to support its interests.

It is the only major stockbroker firm powerful enough to have retained its independence over the period of Big Bang. While lesser firms rushed into the arms of better capitalised businesses, Cazenove retained its partnership structure and gained access to large amounts of capital by way of a loan stock and a permanent underwriting syndicate backed by a powerful group of institutional investors.

It is also prepared to play rough. Indeed, the Takeover Panel in its present form was

THE POST of Director-General at the BBC carries with it the specific function of Editor-in-Chief. It is consequently right and proper that those who hold the job should be judged not only on their success as diplomats, accountants and personnel managers but according to the programmes reaching the screen during their term in office.

During Alasdair Milne's term there has been a clear increase in quantity but the BBC's historic position as sole occupier of the citadel of quality has been attacked and—arguably—lost.

That is not to say that Milne's BBC failed to make outstanding programmes. Great drama series including *Edge of Darkness* and *The Singing Detective* were made under his leadership, as were fascinating documentary series such as *Comrades* and *The Living Planet*. Situation comedy remained ahead of the competition as did BBC sports coverage and BBC children's programmes.

But the irony, and perhaps the tragedy of Mr Milne's career as DG is that while he managed to retain the corporation's reputation abroad as the world's leading public service broadcasting organisation, at home the BBC found itself under increasingly frequent attacks.

There were political controversies over programmes such as *Real Lives* (which was about political extremists in Northern Ireland) and, currently, about the opening episode of *Secrets* which was to have been devoted to the Zircon spy satellite.

These two cases illustrate an appalling dilemma facing any director-general: in the first instance Mr Milne was bitterly attacked for insisting that the programme should be screened.

In the second, he has been equally fiercely attacked after deciding, for security reasons,

MR DENIS WORRALL, the South African Ambassador to Britain, whose resignation became known yesterday, had become an increasingly frustrated man. At a dinner party in London shortly before Christmas he said that he was thinking of forming a two-man

Ambassadors' Club along with Dr Reginald Thomas, Vienna's envoy in London, who has also been looking a bit lonely because of the allegations about Dr Kurt Waldheim, the Austrian President.

Dr Worrall left the next morning for South Africa. I remember wondering at the time if he would ever come back except to pick up his things. For it was clear that he had gone to talk about his country's political future—and his own. The idea of being the attractive, liberal intellectual face of South Africa in London had palled; it had become more important to him to go and fight for what he stood for at home.

He was disappointed — not that he would admit to that word — on two fronts. London had not listened to him as much as he would have liked and the South African Government had not delivered enough of the reforms in which he believed. On one side, he was assailed by British liberals telling him how awful South Africa was. On another, there were people whom he had assured time and again that major reform was in the offing and who had come to the conclusion that he had been over-optimistic.

That was almost certainly the conclusion that he had

BBC: the Milne years

Rough game beyond the Dickens and the cricket

By Christopher Dunkley

that the programme should be withheld.

Yet it would be wrong to see his departure as resulting simply from the political clash between venerable liberal BBC values, to which he certainly adheres and the tough "market-place" philosophy of contemporary Conservatism.

There were other programme difficulties which had little to do with politics. It will be a very long time, for instance, before *The Thorn Birds* saga fades from the BBC memory.

That was a "lost in the dust" mini-series which the BBC imported from Hollywood and which would have been rapidly forgotten like so many others before the fact that it coincided with ITV's screening of

Jewel in the Crown, one of the most impressive television drama series ever made.

Mr Milne has always passionately defended the belief that the BBC must do the best that can be done in every area for all parts of the public and not merely for the BBC's old upper-middle-brow "Home Service" audience.

He is deeply hostile to those who urge (and he mimics them scathingly) "Do what you do best old boy, you know, Dickens and cricket, and leave the rest to the commercial chaps."

Mr Milne defended *The Thorn Birds* on the grounds that it attracted the BBC's biggest audience for a year and, on a per capita basis, worked out

very cheaply. He was determined to continue serving the main bulk of the audience, and not to allow the BBC to be marginalised as public service broadcasting is in the US, and as it is rapidly becoming in Italy, Canada and elsewhere.

He feared the "salami slicing" effect which would cut away successive bits of BBC output, allowing commercial broadcasters to take over, until the Corporation was left to do merely those programmes from which others could not make a profit: educational series, Shakespeare, serious current affairs, and so on.

That is why he was determined not to be upstaged by breakfast television, but to get on the air before TV-am. Among

the harder-nosed men in commercial television and their friends in the Conservative Party, this was seen as a spoiling operation, but to Milne it was a pre-emptive strengthening to avoid another breach in the public service bastion.

Precisely the same applies to daytime television which, under his leadership, has recently been beefed up substantially. BBC 1 now offers a service of popular programmes from breakfast time right through till midnight, and ITV has not yet begun to compete.

Though none of his friends would expect to find Alasdair Milne watching *EastEnders* for his own enjoyment, this series, too, was part of the long-term plan to maintain. The BBC's

standing as the national broadcasting organisation in Britain. The idea was to produce a twice-weekly soap opera to serve as a "ratings banker" featuring regularly in the weekly Top Ten list, sustaining the BBC's continued claim to the licence fee as providers not merely of good minority programmes but of the full spectrum from specialised documentaries to mass-appeal drama.

It succeeded beyond expectations. But those who perceived the bookend at the other end of the BBC's shelf as being the Corporation's flagship news programme have been disappointed. Though the news is closer to Mr Milne's personal interests (despite his origins in Current Affairs which is traditionally seen within the BBC as an opposing camp) the *Nine O'Clock News* has been in relative decline for some years. "Relative" is important because much of the change has been due to ITN's improvement rather than the BBC's deterioration. On the credit side, however, the much-admired *Newsnight* programme flourished during the Milne years. But the fact remains that BBC news has higher standing in the world at large today than in Britain.

History may show that Alasdair Milne was the last of the programme-makers to rise through the ranks and run the biggest programme-making organisation in the world. One of the strongest contenders to succeed him is Michael Checkland: an accountant who has never made a programme in his life. One day it may seem clear with hindsight that programme problems were less important in Mr Milne's departure than personality clashes, plus the twin threats of the television technology revolution and the advance of free-market economics.

For his pains, he was sent to the Embassy in Canberra, then London. He will now almost certainly contest the elections as an independent.

It has never been easy to be a liberal in South Africa of the non-armchair variety. It is possible to achieve fame or notoriety, depending on which way you look at it, but very little power—especially at home. Where Dr Worrall differs from most of the others is in his determination to fight the battle from within the mainstream: a South African of English descent in what has become a predominantly Afrikaner political culture.

First he worked from within the Nationalist Party; now he will be looking for some Nationalist allies, despite being an independent. Some of them could be quite surprising names from inside the present

Dr Worrall is only 51. Almost everything about him personally is unusual. His wife, Anita, is Rumanian. Two of his sons are called Lydon and Dean, a reflection of the time that he was in the US as an academic. Almost anyone who was taught by him, however their views on South Africa may have developed, remembers him with respect and with affection. He plays tennis well and very competitively. He is occasionally to be seen riding a tandem bicycle with his wife around the streets of Kensington.

He will be missed. But those who know him will watch with fascination what is unquestionably a move of great political courage.

Man in the News

Denis Worrall

A liberal academic goes home to fight

By Malcolm Rutherford



then be able to name a new Cabinet which would set the reforms under way.

He was partly right. It was announced yesterday that an election will take place on May 6. It is much more questionable whether President Botha will use it as a springboard for liberal change.

Dr Worrall has long acknowledged that a South African Government would have to

fight an election campaign on a platform of opposition to outside intervention: black and white. The subtly, he thought, would lie in using the victory to confound the critics by going ahead with reform regardless.

It would almost certainly not even under Dr Worrall's guidance, have been one person, one vote. He argues that ethnicity is a fact of South African life and has to be lived with. One

of his regrets is that the Eminent Persons' Group, the British Government, and the US all failed to make an offer of putting up experts to devise a constitution for a country that is truly sui generis. He was himself the chairman of the Constitutional Committee that led to the limited reforms of 1984 and on which he hoped—and presumably still hopes—to build.

Will the scandal have a lasting impact on the way that Cazenove does its business? Some hope that it will not; that the firm will continue to offer

An awareness that this week's statement will not end the speculation

an exclusive and private service in its traditional style. But the younger brigade are doubtful. They believe it is not going to be enough in future to conduct business on the basis of trust. More assurances will have to be sought, more instructions will need to be confirmed in writing, more questions will have to be asked and fewer assumptions taken for granted.

That event, the Guinness affair will turn out to have marked—in a very messy way—the last days of the club.

old and the new, when the jobbers had been taken over by financial conglomerates but still did not have to make any public disclosure of their transactions.

Even so, should not the firm's famously sensitive antennae have trembled when the Guinness share price started to push ahead so strongly? The answer, of course, is that they should—but that may be partly a matter of hindsight.

Cazenove must be well aware that this week's statement will not put an end to the speculation, and that there is more unpleasantness to come. The firm was infuriated by the public letter from Mr Gerald Ronson to Guinness earlier this month, which—by referring to a "representative of eminent brokers acting for Guinness"—led some (including the Financial Times) to conclude erroneously that Cazenove was involved. As the investigation moves on, mind may well fly in all directions.

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It is also prepared to play rough. Indeed, the Takeover Panel in its present form was

set up in direct response to the aggressive tactics used in the bid for Gallaher back in 1988 by Cazenove and Morgan Grenfell—the merchant bank which has been rocked by its involvement in the Guinness affair.

In criticising its behaviour during the bid for AE last autumn, the Takeover Panel said that "the frequent involvement of Cazenove as professional advisers in bid situations makes their lapse the more surprising."

Yet its integrity has never been questioned in the City, where this week's statement that the firm had not been aware of, let alone involved in, illegal activities was greeted with relief.

Morgan Grenfell had lost friends through its aggressive bid tactics, and in some quarters its problems have not aroused much sympathy. The response to Cazenove's embarrassment has been subtly different. The financial institutions have been closing ranks, and rallying around

It boils down to the fact that

Richard Lambert

looks at the stockbroker branded as 'crooked' in a Commons debate



Cazenove: fortunate in its friends

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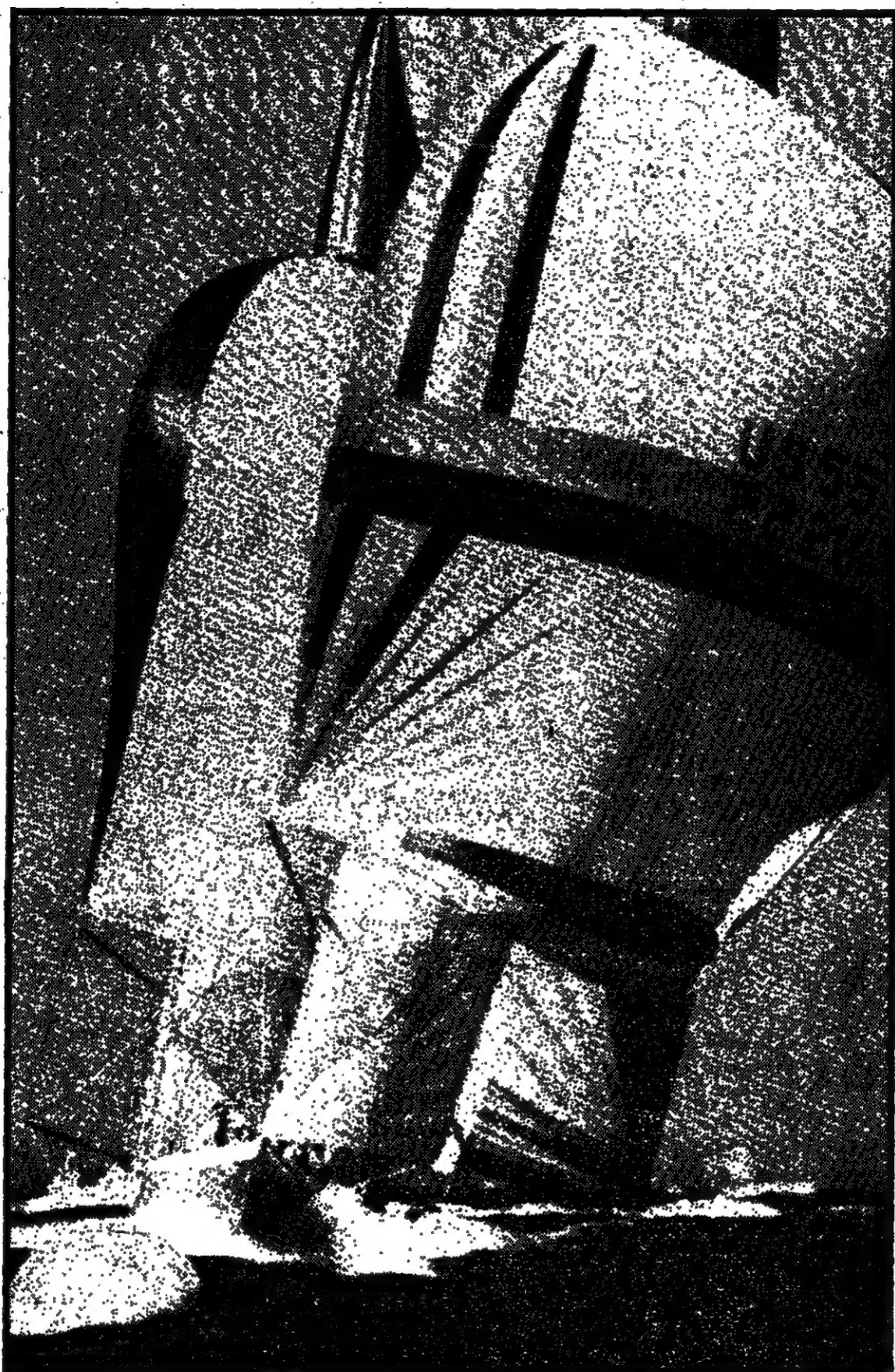
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The image of the gentleman amateur is a long way from reality

tucked away in an alley behind the Bank of England. Nothing could be further removed from the flashy atriums and giant gleaming halls which have sprung up all over the square mile. One of its senior partners, Mr John Kemp-Welch, has the air of a kindly headmaster; the other, Mr Anthony Forbes, is central casting's idea of a decent City gentleman of the old school. Mr David Mayhew, the partner involved on a day-to-day basis in the Distillers bid, is cut out of the same cloth.

Alexanders Laing & Cruickshank
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THE AMERICA'S CUP FINISHES NEXT WEEK.



THE TEAM THAT WON USES DIGITAL COMPUTERS.

They may be deadly rivals, yet the two finalists in the America's Cup do have one thing in common. Both Stars and Stripes and Kookaburra III have on board the latest Micro-Vax mini-computers made

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BT 'will need to drop 70,000 jobs by 1992'

BY DAVID THOMAS

BRITISH TELECOM will need to shed 70,000 jobs by 1992, according to a report on the company by Wood Mackenzie, the brokers.

This is one of the few attempts to put a figure on the size of job losses required by BT. Fears about job cuts among BT engineers are at the heart of the current dispute.

BT has gone no further in public than saying it would need to lose between 5,000 and 6,000 jobs a year over the next few years.

The Wood Mackenzie report, written by Mr Philip Augar, an analyst, says that job losses

will occur in three main areas: among engineers, due to the introduction of modern digital equipment; among clerical workers, because of the computerisation of customer service; and among corporate and procurement functions, due to a cut in overheads.

Jobs for engineers and clerical could fall by a third and among other workers by a tenth by 1992, cutting BT's workforce by 70,000 to 165,000, according to the report.

Wood Mackenzie suggests that much of this decline could be met by natural wastage, which removes about 15,000 workers a year from the payroll.

However, a considerable redeployment and retraining programme, with union co-operation, would also be necessary, the report says.

It argues: "BT ought to be able to negotiate a phased, structured and fairly modest redundancy programme."

The report also looks at what could happen to BT's share price after the general election. It says there would be a wide range, depending on the outcome: 275p with a Conservative victory, 285p with a Tory/Alliance coalition 170p with a Labour/Alliance coalition, and 150p with a Labour victory.

Pay offer sets level for council negotiations

By Our Labour Correspondent

LOCAL AUTHORITY employers yesterday offered a pay rise of marginally less than 5 per cent to about 9,000 council engineering, craftworkers.

The offer sets an important marker for local government wage negotiations this year. The employers are likely to pitch all their pay proposals at broadly the same level, although the unions will be expecting further movement.

The engineering craftworkers had claimed a £10 a week increase. Yesterday's offer would add £5.50 to the present weekly basic rate of £107.95 with effect from February 1.

The employers will justify the percentage figure by comparing it with the 4.9 per cent national settlement in the engineering industry and the agreement of between 4.1 per cent and 4.4 per cent in motor vehicle retail and repair.

Union negotiators will, however, be making comparison with the 6.7 per cent (£6 a week) rise awarded to council manual workers last September. The employers regard that settlement as being at the end of the last pay round, rather than at the start of the present one.

Coal chief urges end to disputes

BY DAVID BRINDLE, LABOUR CORRESPONDENT

COLLIERY MANAGERS were urged yesterday by Sir Robert Haslam, British Coal chairman, to act to stop "the rash of small local disputes" which caused the loss of 715,000 tonnes production in the first three quarters of the 1986-87 financial year.

Sir Robert said only 15 of British Coal's 125 pits had escaped strikes during the past 13 months.

His comments came during his first visit to the Yorkshire coalfield since becoming chairman last year. He said 61 per cent (438,000 tonnes) of the 715,000-tonne production loss had been through stoppages at Yorkshire pits.

He said: "Although they are short strikes, involving relatively few men, we lose coal, miners lose wages and custo-

mer can lose confidence. So ways need to be found to change attitudes which are causing these stoppages."

The coal industry has traditionally suffered from a high number of walkouts over local issues. The traumatic experience of the 1984-85 national miners' strike seems to have done little to change this — an average 3.8 tonnes per man-shift, the best in the UK — and below cost (£1.50 a gigajoule) of coal produced by south Yorkshire pits, again the best nationally.

Sir Robert said British Coal's loss of income through price cuts prompted by last year's oil price collapse would exceed the earlier forecast of £400m. However, the company hoped still to contain overall losses for 1986-87 within the £300m projection.

Sir Robert said it was disappointing that this pattern

STUC fails to win job pledge from Rifkind

By Our Labour Correspondent

LEADERS of the Scottish TUC said yesterday they had failed to win from Mr Malcolm Rifkind, the Scottish Secretary, any assurances of government action to stem the rising tide of unemployment in Scotland.

A delegation led by Mr Campbell Christie, the STUC's general secretary, presented Mr Rifkind with a detailed paper on the Scottish economy.

It said Scotland was suffering a "wave of redundancy and closure announcements which probably has no precedent in our history" — a reference to actual or planned redundancies at companies such as Scott Lithgow, Babcock Power, Burroughs, Kestrel Marine, and Golden Wonder, as well as the announced closure by Caterpillar of its plant near Glasgow.

Mr Rifkind described the 80-minute meeting as "valuable and stimulating" and said there were "considerable areas of agreement" between the two sides particularly on the need for higher EEC subsidies for shipbuilding.

He said that although 1986 had been a difficult year for Scottish industry, he was confident about the general trend of the economy and the prospects for growth.

Oftel says intervention unlikely

BY OUR LABOUR STAFF

THE BASIC British Telecom network could probably withstand the telecom dispute for a number of months, according to the Office of Telecommunications, the industry's regulatory body.

Professor Bryan Carsberg, Oftel's director general, who is receiving daily reports from BT, said he had no evidence that the company was failing to cope with the results of the dispute.

Oftel is unlikely to intervene in the dispute as long as BT continues to cope with the problems which have arisen, Prof Carsberg said.

He added there was no reason to believe the dispute was having a disproportionate effect on particular categories of customers or areas.

There was no sign that the dispute was particularly damaging to international telecom-

munications traffic, the transmission of data over the phone network or the operations of Mercury, BT's main rival.

He said he would continue to monitor the situation and would consider stepping in if BT failed to cope with problems.

But such a move was a long way off, as BT was coping well and concentrating resources on priority areas.

Nupe divisional office occupied

MEMBERS of the National Union of Public Employees have occupied the union's divisional office in St Pauls Cray, near Orpington, Kent, in protest at a decision to transfer Mr Nick Bradley, a full-time official.

The protesters claim Mr Bradley is being moved to the Hertfordshire area because he has "worked harder than others" in the interests of Nupe members.

Water board refuses talks

BY OUR LABOUR STAFF

THE governing body of Thames Water has refused to meet union leaders to discuss the authority's plan to pull out of national pay bargaining.

Union officials warned yesterday that, in view of the refusal, both Thames and the public should not be surprised if the authority's 9,000 employees made clear "their reaction through frustration and anger."

Mr Godfrey Eastwood, the senior National Union of Public Employees officer at Thames, said: "Thames Water Authority will soon be experiencing at first hand expressions of the contempt in which they are held by their workforce."

Thames has declared its intention to pull out of national bargaining to tie its reward systems more closely to its particular circumstances. The board has delegated to officials the responsibility for implementing the change.

Fireman's strike likely to close airport at weekend

BY JIMMY BURNS, LABOUR STAFF

MANCHESTER AIRPORT, which has been hit by a firemen's strike since Wednesday, is expected to remain closed to all fare-paying passenger flights at least until Monday, the airport's authorities said yesterday.

Hopes of an early end to a dispute over technology payments faded yesterday following the rejection by union leaders of an management offer of a binding arbitration by Acas, the Advisory Conciliation and Arbitration Service.

The strike costing an estimated £85,000 a day in lost revenue, is threatening the prestige of the airport which has been enjoying rapid growth and development since becoming a public limited company last April.

Officials of the Transport and General Workers Union, representing the 82 firemen who walked out on Wednesday, blamed the breakdown of talks on the continuing absence on holiday of Mr Gil Thompson, the airport chief. They also warned the strike could spread to other airports in the north of England and the Midlands.

The airport said Mr Thompson had no plans to cut short his holiday before his expected

return next Friday. It denied union allegations that the dispute was being badly handled by the airport's majority shareholder, the Labour-controlled local authority.

Aircraft carrying fare-paying passengers cannot by law take off or land at an airport in the UK without full fire cover. Yesterday about 194 scheduled and charter flights were diverted forcing about 12,000 passengers to be taken by bus to other airports.

Prior to the dispute, Manchester's airport had been aiming for a monthly target of 1m passengers by this summer.

Leeds Permanent buys estate agency

THE LEEDS Permanent Building Society has bought its first estate agency, Cottons, with eight branches in Birmingham and the west Midlands.

The society plans to establish a network of 280 estate agency outlets throughout the UK, to be run through its subsidiary Property Leeds.

Improved offer for British Telecom Clerical Grades.

On Thursday, we made a new formal pay offer to the National Communications Union (Clerical Section) some of whose members have been taking industrial action. We would like everyone to understand the Company's offer.

The Offer:

The offer is worth over 6% for staff in our clerical and allied grades. This is made up of:

- * Basic rates increased by about 5.02% from 1st July 1986 (double the then rate of inflation).
- * In addition, a bonus of £100, payable in April 1987, with the major part consolidated into pay rates next year.
- * An extra day's normal holiday for most of the staff concerned.

The payments are completely separate from the normal July 1987 and 1988 pay negotiations.

The offer is, however, conditional on acceptance of changes in working practices.

Why are these changes necessary?

So that we can establish the more efficient allocation and organisation of work for clerical grades, which will enable us to serve our customers more efficiently, for example by:

- clerical staff taking on simple computer programming

- clerical staff working together with engineering staff in marketing teams under one manager.

Simple, commonsense changes, designed to help us give better value for money.

Contrary to some rumours, the proposed changes:

- do not involve Saturday becoming a normal working day
- do not affect the Clerical Flexitime Agreement
- do not result in any loss of pay for existing staff.

British Telecom very much regrets that some customers are suffering inconvenience from industrial action.

We hope that the offers we have made to our clerical and engineering staff will form the basis for a settlement, so that together we can get back to the business of serving our customers.

For further information on the pay offer to clerical staff, please ring (free of charge) 0800 222 444 at any time.

British
TELECOM

BRITISH TELECOMMUNICATIONS plc, BRITISH TELECOM CENTRE, 81 NEWGATE STREET, LONDON EC1A 7AJ.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for above securities dealt through the SEAG system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	5,400	347	+3	Labrador	515	400	+2
Allied Lyons	5,700	335	+4	Land Securities	617	341	+2
Armstrong	9,000	134	+4	Lea & Gen	1,700	275	+6
Asse. Brit. Food	1,040	327	-1	Lloyds Bank	2,100	472	-3
BAT	6,000	300	+3	Levin	2,700	281	-3
BEI	2,407	247	-1	Marler & Sp	2,000	189	+3
BIC	2,000	418	+2	Midland Bank	716	297	-2
BPS Inds	1,200	585	+12	NavWest Bank	2,000	372	-2
BT	2,000	261	+1	Pease	2,000	377	+1
Barclays	1,600	437	+2	P&O	824	545	+1
Beecham	250	795	+4	Pittsburgh Bros	771	685	+1
Beecham	3,450	486	+11	Plenary	2,300	299	+1
Bell Group	1,000	486	+1	Presidential	1,200	825	+10
Bovis	7,100	267	-1	Royal	3,000	219	-1
Brit. Aero	1,800	373	-3	Rank Org	1,600	607	+4
Brit. Gas	2,000	260	+8	RHM	3,000	708	+8
Britoil	1,200	189	+2	Reckitt & Col	249	940	-4
BP	2,500	773	+2	Rediff	747	458	+1
Brit. Telecom	7,000	226	+1	Rediff	448	271	+3
Barton	3,300	287	+1	Reusers	335	595	+4
Cable & Wire	2,300	399	+3	RTZ	464	751	-2
Carbury Shaw	3,000	225	+2	Rothmans Mac	1,000	89	-2
Cash Vesta	500	548	+2	Royal Insurance	1,100	898	-1
Comm. Union	2,300	299	+3	STC	513	196	-1
Com. Gold	470	740	-6	Stechli & Smith	1,600	882	+7
Cookson	320	257	+2	Sinclair	374	199	-2
Covantails	1,200	380	+2	Scott & Newcastle	413	297	+1
Dee Corp	2,700	226	+1	Sears	5,100	123	-2
Dixons Grp	3,900	307	+2	Sealed Air	1,500	715	+2
Fluoro	408	601	+2	Shell Trans	2,600	510	-1
Gen. Elec.	576	878	+4	Smith & Nephew	3,900	197	-1
Gen. Elec.	6,900	287	+4	Standard Char.	272	778	+1
Glen	4,300	212	-3	Storehouse	1,600	282	+2
Graham	5,900	335	-12	Sun Alliance	730	710	+2
Graham Met	6,075	795	+10	TSS	7,075	783	+3
Gus-A	119	511	+4	Tesco	2,400	470	+3
Guardian R.E.	823	837	+9	Thorn Emf.	1,100	624	-1
GKN	5,000	315	+17	Trafalgar House	2,000	555	+3
Graham	5,500	293	+7	Thorn Emf.	2,000	298	+2
Hanson Trust	13,000	240	+2	Thorn Emf.	2,000	298	+2
Hawker Sid	705	302	-2	Unilever	135	123	+4
Hillson Hips	3,700	223	+1	Unilever	135	123	+4
ICI	4,000	212	+1	Wellcome	4,600	265	-2
Imp. Cont. Gas	796	588	+8	Whitehead	1,600	283	+2
Lapin	1,400	296	+3	Woodward	175	720	+2

LEADERS AND LAGGARDS

Percentage changes since December 31 1986 based on Thursday January 29 1987

Chemicals	+20.62	Building Materials	+8.16
Engineering & Precision	+20.40	500 Share Index	+8.12
Textiles	+17.28	Insurance (Companies)	+8.11
Health and Welfare Products	+15.27	Food Manufacturers	+7.88
Packaging and Paper	+12.48	Electricals	+7.79
Metals and Metal Forming	+12.30	All-Share Index	+7.61
Leisure	+12.18	Other Groups	+7.58
Electronics	+11.61	Overseas Trading	+6.73
Construction	+11.44	Oil and Gas	+6.15
Metals	+11.21	Investment Trusts	+5.44
Mechanical Engineering	+10.92	Financial Groups	+5.45
Merchant Banks	+10.73	Insurance (Life)	+5.41
Capital Goods	+10.19	Telephone Networks	+4.50
Automotives	+9.23	Stores	+3.71
Shipping and Transport	+8.87	Food Retailing	+3.46
Industrial Groups	+8.32	Breweries and Distillers	+3.01
Mining Finance	+8.32	Property	+2.69
Consumer Goods	+8.26	Companys	-1.80
Other Industrial Materials	+8.18		

RISES AND FALLS ON THE WEEK

	Rises	Falls	Same	Rises	Falls	Same
British Funds	40	41	31	167	295	98
Corporations, Dom. and Foreign Bonds	12	41	9	29	285	2,865
Industrial	498	411	624	2,625	2,180	2,865
Financial and Progs.	157	154	275	906	726	1,298
Oil	35	33	47	148	115	254
Real Estate	1	1	15	15	47	
Miners	40	70	73	251	291	365
Others	81	51	47	352	291	250
Totals	862	771	1,156	4,484	4,006	5,467

CURRENCIES & MONEY

FOREIGN EXCHANGES

Trade figures boost dollar

THE DOLLAR rose sharply in currency markets yesterday following the release of better than expected US trade figures. The deficit for December fell to \$10.7bn from a record unadjusted \$12.2bn in November. The latter figure was revised at the same time down to a deficit of \$15.5bn. For the year 1986, the deficit reached a record annual total of \$68.8bn from \$48.5bn in 1985. Early short covering had boosted the dollar from opening levels as speculators moved to cover short positions on strong rumors that the figure would be better than expected.

However the dollar finished below its best level, following comments by Mr James Baker, US Treasury Secretary, that the deficit may be leveling off, yesterday's figures did not necessarily herald a downward trend. In addition the sharp narrowing in the deficit was mainly a reflection of lower imports rather than a rise in exports.

The dollar touched a best level of DM 1.6480 against the DM, before closing at DM 1.6320, still well up from Thursday's close of DM 1.5805. It was also firmer against the yen at ¥153.55 from ¥151.58. Elsewhere the French franc fell to FF 160.20 from FF 160.75 compared with FF 159.25 on Thursday. On Bank of England figures, the dollar's exchange rate rose from 103.1 to 104.3. Starting finished weaker overall, losing ground to the dollar but not to the same extent as other currencies so that against the DM it rose to £239.5 from £238.5. On Bank of England figures, its exchange rate fell to 85.5 from an opening level of 86.8 and Thursday's close of 86.8. The pound closed at £151.55 down from £151.75 on Thursday.

STERLING INDEX

	Jan 30	Jan 29	Previous
3.00 am	68.6	68.6	68.6
9.00 am	68.6	68.6	68.6
12.00 pm	68.6	68.6	68.6
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when the dollar was quoted at DM 1.6085 up from DM 1.5822. The Bundesbank also refrained from intervening in open markets. Shortcovering developed ahead of the US trade figures' release so that news of a smaller than expected deficit underpinned the dollar. After the announcement the dollar briefly touched DM 1.64 before closing at DM 1.6320.

JAPANESE YEN—Trading range against the dollar in 1986-87 was 262.78 to 311.88. December average 262.18. Exchange rate index 262.18 compared with 212.5 six months ago.

Trading was quiet in Tokyo yesterday as traders awaited the release of US trade figures. The dollar closed at ¥153.55 compared with ¥151.58 in New York and ¥152.0 in Tokyo on Thursday. The dollar's performance against the yen was a little better than against other currencies with dealers wary of possible co-ordinated central bank intervention. Elsewhere traders were still looking for a cut in the Japanese discount rate.

Account Dealing Dates

Option	First Dealing	Last Dealing	Account Dealing
Jan 22	Jan 23	Jan 23	Jan 23
Jan 25	Feb 5	Feb 6	Feb 6
Feb 9	Feb 19	Feb 20	Feb 20

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LONDON STOCK EXCHANGE

Gilts quiet but international stocks rise

FINANCIAL TIMES STOCK INDICES											
	Jan 30	Jan 29	Jan 28	Jan 27	Jan 26	Year	1986/87	Since Completion		High	
Government Secs	85.31	85.35	85.31	85.37	85.49	83.34	84.51	80.37	127.4	49.18	49.18
Fixed Interest	91.30	91.33	91.37	91.35	91.75	87.24	97.48	86.55	105.4	53.53	53.53
Ordinary	1,441.0	1,427.0	1,440.4	1,431.6	1,411.2	1,314.0	1,441.6	1,094.3	1,441.6	347.7	347.7
Gold Mines	321.8	322.4	321.3	322.9	318.5	311.3	321.8	271.8	321.8	50.0	50.0
Div. Div. Yield	3.95	3.99	3.96	3.96	4.03	4.45	3.95	3.99	3.95	3.95	3.95
Earnings Yld. (incl.)	9.25	9.36	9.29	9.30	9.47	10.82	9.25	9.36	9.25	9.25	9.25
P/E Ratio (incl.)	13.26	13.10	13.20	13.18	12.94	11.51	13.26	13.10	13.26	13.26	13.26
P/E Ratio (excl.)	34.16	37.02	34.48	35.80	37.94	—	34.16	37.02	34.16	34.16	34.16
Equity Turnover (excl.)	1,583.94	1,483.77	1,524.99	1,488.27	1,582.72	—	1,583.94	1,483.77	1,583.94	1,583.94	1,583.94
Equity Turnover (incl.)	46.864	46.869	47.014	46.908	47.083	—	46.864	46.869	46.864	46.864	46.864
Shares Traded (m)	580.3	575.1	525.7	490.4	248.0	—	580.3	575.1	580.3	580.3	580.3

Day's High 1442.5, Day's Low 1428.4, Day's Range 14.1, Day's Volume 14,332, Day's Turnover 14,332, Day's Average 14,332, Day's High 1442.5, Day's Low 1428.4, Day's Range 14.1, Day's Volume 14,332, Day's Turnover 14,332, Day's Average 14,332.

London Report and Latest Share Index: TEL. 01-246 0024

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Jaguar improved 3 to 56p, but little else of note occurred in the Motor sector.

Investors again showed a tendency to take profits in certain Newspaper and Printing issues. United Newspaper slipped back 9 further to 47p but Associated Newspapers rose 1p to 50p. Haynes Publishing was 8 up at 33p after the interim statement. Goodhead Print was sold and fell 15 to 19p while Klearfield gave up 5 more to 68p on further consideration of the poor annual figures. On a brighter note, DRG rebounded 10 to 34p and Moorgate Group jumped 15 to 125p. News of the Prudential Corporation's sale of its 50% stake in 5 to 27p. Still reflecting Thursday's acquisition, TWD Advertising gained 6 further to 136p, while Yellowhammer advanced 7 to 133p and Satchel and Satchel 7 to 82p. Completion of the ADR placing of 4.8m shares nudged Carlton Communications up to £107.

Properties attracted selective buying interest. British Land continued to reflect a broker's recommendation with a rise of 1p to 189p and Great Portland Estates firmed 4 to 212p on vague takeover rumours. Slough Estates made good progress to 185p before easing back on the appearance of a sizeable seller to close only 1p dearer at 183p. Profit-taking clipped 18 from recent favourite Local London at 47p, but Connelley gained 16 to 34p on takeover hopes, the company recently received bid overtures from an unnamed party. Brookmount made fresh progress at 37p, up 7, and Property Partnerships firmed a like amount to 410p.

After-the-event profit-taking, increased annual profits were well received. The previous day, pulled Allied Textile back 13 to 53p and Balmer and Lamb fell 20 in sympathy to 138p.

Rothmans International benefited at a large lot of stock was cleared from the market, and ended 5 higher at 187p. BAT Industries also went higher but the early gain was eventually halved to one of only 5 to 50p.

Trading statements caused little movement in selected investment trusts including Glave, at 140p. However, which is seeking shareholder approval of proposals for utilisation involving transfer of the trust's net assets after repayment of the Capital shares, improved narrowly. Dualvest Income shares hardened to 54p while the Capital shares rose 4p to 114p.

Investments, down 13p more at 27p, were the chief casualty in Financials, where NMC Investments picked up 13p to 188p.

INTL: COMPANIES and FINANCE

Cote d'Or takeover leaves a sour taste, reports Tim Dickson

Swiss wrap up Belgian chocolates

'BELGIAN CHOCOLATE' with a Swiss taste. That was how Brussels newspaper yesterday headlined the news that Cote d'Or, the country's biggest and most famous confectioner, had agreed to a \$5.7bn (\$127m) takeover from the German-Swiss concern Jacobs-Suchard.

The image was particularly apt because it is an accurate description not just of Cote d'Or, which accounts for around 45 per cent of the market — but for much of the rest of the traditional Belgian chocolate industry. In the early 1980s, for example, Suchard bought Callebaut, a leading local brand, before moving firmly into the number two position last summer through its acquisitions of the international interests of the German Monheim group. By doing so, it swallowed up General Chocolate, which had previously taken over the three

smaller Belgian companies, Victoria, Manriase and Novesia. Given that Jacques, the only other large player in the sector, is controlled by Imhof of West Germany, the traditional Belgian chocolate business has now passed completely into foreign hands.

Not surprisingly, perhaps, local reaction to the latest developments has not been wholly favourable. It has ranged from the suggestion of one senior chocolate company executive yesterday that having lost the reputation for producing the best chocolate in the world, the Swiss have had to come to Belgium to find it, to more biting criticism of the Belgian authorities for "passivity," and concern that too many local companies are being bought up by foreign owners.

Why, then, has Cote d'Or decided to sell? The immediate answer is that the price offered

— just over Bfr 8,000 for the ordinary shares, compared with a market price of Bfr 5,350 before they were suspended at the beginning of the week — looks by any standards to be extremely generous.

Mr Boudouin Michiels, the managing director, whose own family and associates spoke for around two-thirds of the equity, has long been on record as determined to remain independent. Yet as one company executive put it yesterday, "there are some offers that you just can't refuse."

Cote d'Or has been through a difficult patch recently. It was caught on in 1983 by the sharp rise in cocoa prices which along with difficulties in its Spanish operations, contributed to losses of Bfr 61m. Last year's performance was improved considerably though the company confirmed yesterday that profits would not match their record

1984 level.

The outlook for 1987 remains favourable. Most analysts in Brussels agreed that Cote d'Or has been a well-run family company, yet life as a medium-sized business in competitive international markets has become increasingly tough. The group has been trying to expand elsewhere in Europe — its main markets are France, Germany, Spain and the Netherlands — so Suchard's additional financial muscle will be especially welcome and should open up new possibilities in the US.

"Expansion costs money and sooner or later you come face to face with reality," one observer put it yesterday. "You're either small or you have to be able to compete with the big boys such as Cadbury, Rowntree Mackintosh and Nestle, which emerged as a real bidder for Cote d'Or this week."

German insurer seeks DM 1.3bn

BY ANDREW FISHER IN FRANKFURT

AACHENER und Munchener, the West German insurance group which is paying DM 1.3bn for the Berlin film Gemeinwirtschaft, yesterday announced a record-breaking DM 1.34bn (\$730m) rights issue as part of its capital-raising plans to pay for the trade union-owned bank.

The insurance company, in which Royal Insurance of the UK is a 20 per cent shareholder, set out a three-stage plan to increase its capital. First, it will take a one-for-three scrip issue to lift capital from DM 66m to DM 88m.

The second stage will be the rights issue, with capital being doubled to DM 176m and the

new DM 50 nominal shares being offered on a one-for-one basis at DM 70 each compared with yesterday's closing share price of DM 1.80.

Finally, Aachener und Munchener, which is based in Aachen, plans to allot DM 44m of authorised capital for eventual placing of bearer shares, mainly abroad in London and Zurich.

The timing of this has yet to be decided, but the company expects the bearer stock to trade well above the DM 70 issue price.

With German shares prices weakening since the start of the

year, the news of such a large rights issue could further dampen the market.

The planned privatisation of 25 per cent of shares of the Veba energy group will require DM 3bn, and Deutsche Babcock recently announced a large rights issue.

The insurance company said the first two parts of its financing programme would follow immediately after its annual meeting on March 9. It is buying 51 per cent of Bank für Gemeinwirtschaft, which it has to pay for by June.

Aachener also said it would be paying a maintained dividend of DM 12.50 a share.

Ford of Germany out of red

By Our Frankfurt Staff

FORD-WERKE, THE West German subsidiary of Ford Motor of the US, moved significantly back into profit in 1986 after two years of losses, the chairman, said yesterday.

The Cologne-based company raised its production of cars and transit vans by nearly 12 per cent to 863,000 units. This was the highest output since the peak of 1977, when 878,000 cars and vans were manufactured.

The return to the black was foretold by Ford last summer, when the company said profits of at least DM 100m (\$36.3m) should be achieved, after operating losses had come down to DM 30m in 1985 from DM 200m in 1984.

Mr Goedevert said Ford's improved financial performance stemmed from its more attractive model range and its decision to put earnings before market share.

The measures introduced two years ago by Ford to streamline its operations had also contributed to its improvement, he said. "Ford has become slimmer and more efficient."

Mr Goedevert said the German motor industry would experience slightly lower demand this year, a view expressed by the industry in general. Last year, new car registrations in Germany were a record 2.8m, which the German Automobile Industry Association (VDA) reckons will slip to 2.7m in 1987.

Ford-Werke's share of the German market is nearly 11 per cent. The company exported 66 per cent of its production last year.

Pace of growth slackens at Petrofina

By William Dawkins in Brussels

PETROFINA, the Belgian oil and energy group, yesterday reported a net income of Bfr 18.34bn (\$494m) for 1986, a 7.4 per cent gain on the previous year's Bfr 17.07bn.

That represents a slight slackening in the pace of growth for Belgium's largest industrial concern, which recorded a 10 per cent expansion in net income in 1985.

The group, owner of Charterhouse Petroleum, the British oil company, said that a fall in production income resulting from the collapse of crude oil prices was offset by improved performance in refining and distribution, and particularly in petrochemicals and other sectors of activity.

The company issued new shares during the year to fund the Charterhouse acquisition, but despite the risk of earnings dilution, managed to boost profits per share from Bfr 985 to Bfr 1,011.

The directors propose a dividend — net of withholding tax — of Bfr 300 per share, up from last year's Bfr 330.

The result reflected a slight slowdown on the September quarter performance, and directors attributed this to lower metal prices and increased industrial disputes.

An extraordinary debit of A\$12m was, however, charged against the latest period, compared with a 1985 credit of A\$3.63m.

WEEKLY PRICE CHANGES

Commodity	Unit	1986/87	1986/87
		High	Low
Aluminium	1000 lb	1180.00	1170.00
Copper	1000 lb	1180.00	1170.00
Gold	1000 g	1180.00	1170.00
Lead	1000 lb	1180.00	1170.00
Nickel	1000 lb	1180.00	1170.00
Palladium	1000 g	1180.00	1170.00
Platinum	1000 g	1180.00	1170.00
Silver	1000 g	1180.00	1170.00
Tin	1000 lb	1180.00	1170.00
Zinc	1000 lb	1180.00	1170.00
Wheat	1000 lb	1180.00	1170.00
Barley	1000 lb	1180.00	1170.00
Maize	1000 lb	1180.00	1170.00
Wheat	1000 lb	1180.00	1170.00
Barley	1000 lb	1180.00	1170.00
Maize	1000 lb	1180.00	1170.00
Wheat	1000 lb	1180.00	1170.00
Barley	1000 lb	1180.00	1170.00
Maize	1000 lb	1180.00	1170.00
Wheat	1000 lb	1180.00	1170.00
Barley	1000 lb	1180.00	1170.00
Maize	1000 lb	1180.00	1170.00

LONDON MARKETS

REUTERS

1000/7 1000/7

(Base: September 16 1987=100)

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US MARKETS

BETTER-THAN-EXPECTED

trade figures for the US

for December 1986 helped steady

the dollar which in turn

prompted marked sell-offs in

the metals, reports Dresel

Burnham Lambert.

Com

mission house selling touched

off stops in the gold, silver

and platinum futures as all

markets penetrated downside

support areas before trade

support emerged at the lows

prompting local short covering

to pare losses. Crude oil

futures continued to trade in

a narrow range in a market

dominated by local activity

and underlying indications of

support in the long-term.

Trade selling in sugar futures

prompted speculative long

liquidation which in turn

touched off further selling

before trade support emerged

between 7.50 and 7.60, basis

March, and commission house

buying brought prices back to

the highs. Early commission

house selling in coffee futures

touched off stops before a

combination of short-covering,

price-as buying and arbitrage

brought steadied prices. The

grains were mixed with

wheat futures weakening as a

result of continued commercial

hedging, though losses

were pared by short-covering

and underlying activity. Initially

fell on commission house selling

but firmed to close higher

on the day on local short-

covering. On the soybean

complex, farmer premiums

yielded losses on the futures

market, but the soybean

weakened, while in the meats

farmer premiums coupled with

continued speculative buying

steadied the markets.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

Feb 118.00 117.00 116.00 115.00

Mar 118.00 117.00 116.00 115.00

Apr 118.00 117.00 116.00 115.00

May 118.00 117.00 116.00 115.00

Jun 118.00 117.00 116.00 115.00

Jul 118.00 117.00 116.00 115.00

Aug 118.00 117.00 116.00 115.00

Sep 118.00 117.00 116.00 115.00

Oct 118.00 117.00 116.00 115.00

Nov 118.00 117.00 116.00 115.00

Dec 118.00 117.00 116.00 115.00

Jan 118.00 117.00 116.00 115.00

Feb 118.00 117.00 116.00 115.00

Mar 118.00 117.00 116.00 115.00

Apr 118.00 117.00 116.00 115.00

May 118.00 117.00 116.00 115.00

Jun 118.00 117.00 116.00 115.00

Jul 118.00 117.00 116.00 115.00

Aug 118.00 117.00 116.00 115.00

Sep 118.00 117.00 116.00 115.00

Financial Times Saturday January 31 1981

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Stocks	1 Charing Cross, St Helier, Jersey	0534 73741	Marborough Place, St Peter Port, Guernsey	0534 73741
SSG Capital Fund	457.2	47.1	U.S. 5 Dollars	52.09
SSG Income Fund	90.2	4.3	High Income	52.78
GSF Bond	193.9	19.3	International Growth	55.9
			Japan Fund	55.0

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LONDON SHARE SERVICE

INDUSTRIES—Continued		+ or -		%	
77					

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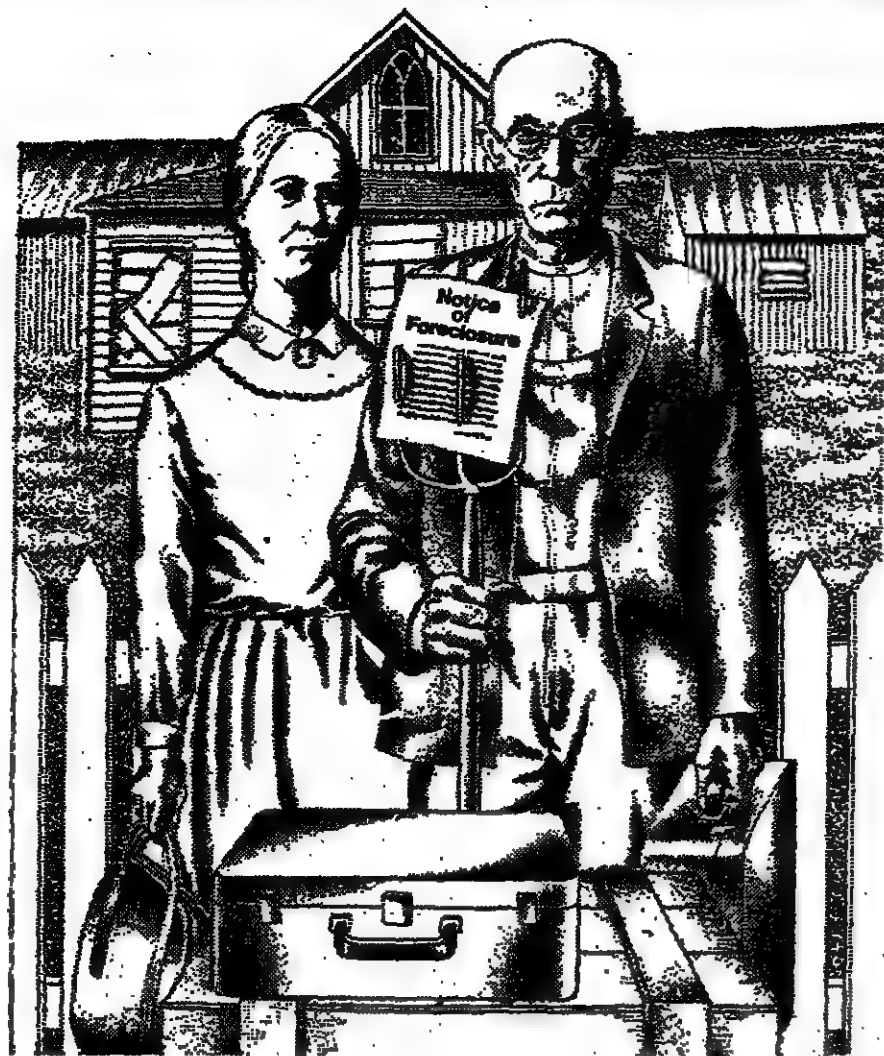
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WEEKEND FT

Saturday January 31 1987

MARKETS • FINANCE & THE FAMILY • PROPERTY • TRAVEL • MOTORING • DIVERSIONS • HOW TO SPEND IT • BOOKS • ARTS • TV



Michael Kline

Large debts and low commodity prices are leaving smallholders in America's Mid-West increasingly vulnerable to foreclosure and bankruptcy. David Owen reports

Go broke, young man

YOUNG KEITH FRIEDMAN (aged 8) could see the writing on the wall recently when he packed his bags and announced to his astonished parents that he intended to run away from the family farm and buy a computer. "You have to work too hard on the farm," he complained, "and you do not get paid." Now that the Iowa maize harvest is gathered, and the harsh Midwest winter has well and truly set in an increasing number of American farmers will probably be thinking along similar lines. Keith's parents, who farm 270 acres of maize and alfalfa in Luxembourg, Iowa, may well be among them. They are all heavily in debt and under constant pressure from the Federal Deposit Insurance Corporation, which recently took over their local bank, to maximise returns. "We will always be on the verge of bankruptcy," said Carol, who like husband Stan, is a university graduate. The Friedmans postulate that those with collateral are under more pressure from the FDIC (the Government's bailiffs) than they are. "With people like us they are better off having money dribbling in than liquidating us," Stan says with undignified irony. But the strain of knowing that their destiny is now in the hands of anonymous bailiffs shows through in Stan's barely contained anger, and Carol's fidgets.

Like many hard-up farmers, Stan Friedman traces the problem back to the mammoth Soviet grain purchase of 1973 and the subsequent bull market. This raised substantially every US farmer's paper value, encouraging bankers to be overgenerous with loans. Stan recalls that in the 1970s, friends would visit the bank to borrow money to repair machinery — and as often as not they would emerge with enough to buy a new machine. With the value of collateral now sliding ever lower in step with the price of grain, those heavy loans have come back to haunt American farmers from California to North Carolina.

The level of skill used in cultivating crops is immaterial. In 1977, Jim and Linda Markham of Holy Cross were voted the most promising young farmers in Iowa. Today they are on food stamps. The worst moment of their lives came in 1984 when they heard the story of their own foreclosure broadcast on the car radio. "At that moment," remembers Linda, a purposeful woman in her mid 30s, "we thought very seriously about driving under the next articulated lorry." Linda apologises for the state of the uncluttered living room and says that she does not much like maintaining the house because she is unsure if it still belongs to them. Meanwhile, a state-of-the-art pigsty gathers weeds and dust across the yard and an equipment shed is full of the neighbour's machinery. The Markhams are able to hang onto these now rather precarious assets, thanks to a law suit they have filed against the bank, claiming dual responsibility. "If we lose we will have to file for bankruptcy," Linda says. "That costs between \$1,000 and \$25,000. Some farmers cannot even afford to do that."

With people like us they are better off having money dribbling in than liquidating us?

The Markhams claim to feel no personal animosity towards local bankers. Like the "owner men" in John Steinbeck's "The Grapes of Wrath" they are, she says, just following orders. Some troubled farmers, like Nebraska's Arthur Kirk, have reacted less charitably. On October 23, 1984, Kirk was killed on his farm in a shoot-out with state police. Earlier in the day he had threatened at gunpoint several deputy sheriffs, who had come to serve papers claiming the property for a local bank. An anti-defamation league report covering the incident spoke of a taped telephone conversation between Kirk and police shortly before his death. In it, Kirk blamed his financial problems on the "goddam Jews." That summer he had filed a law suit to get the bank loan nullified; the suit was dismissed without a hearing.

The plight of the US farmer is no longer exactly news. Encouraged to expand in the inflationary 1970s and early 1980s, farmers have since been caught in a cleft stick — tumbling commodity prices, and land values on the one hand and increasingly onerous debt servicing requirements on the other. The result has been carnage. Thousands of farmers have already gone out of business, while about one-in-ten of the 2.3m or so operations remaining are believed to be in serious or terminal financial difficulty.

Not that the drift away from the land is a recent phenomenon. Just 2.9 per cent of the overall US population now lives on farms, a reduction from 2.7 per cent in 1980 and just under 25 per cent in 1935. Over the same period, the number of operating farms has dropped by approximately two-thirds from 6.8m. But the trend is accelerating; the 44,000 decline in the number of farm operations between 1984 and 1985 was the largest single year drop in farm numbers in a decade. Even these bold statistics tell only part of the story because the debt load is far from evenly spread. Over 60 per cent of the country's colossal \$210bn aggregate farm debt (about the same size as the respective foreign debt of Brazil and Mexico combined) is owed by just 19 per cent of US farmers.

In fact, falling a fundamental change in US farm policy, which is currently pledged to eliminate subsidies and make domestic produce competitive on world markets, it is easier to foresee a future for part-time small-holdings and ultra-efficient megafarms — often corporate owned — with little in between. Many of these small commercial farmers, who steered clear of debts and are therefore comparatively prosperous, are said to be older men whose judgment was tempered by memories of the great depression.

Diversification is a risk. With new crops at first you tend to make a lot of mistakes?

A straw poll of some of the farmers in the Holy Cross area gives an indication of the speed of the exodus. One is heading off to run a convenience store in nearby Manchester. Another recently rented out his farm. He is said to be up to his eyes in debt. Two more have announced their intention to retire while still another sold up in 1974 but still lives in his farm house. Another shows every intention of continuing to farm. He had contemplated selling out about four years ago, but decided that \$2,000-\$3,000 an acre was not enough. The average value of Iowa farmland today is \$2,100 an acre. He is 75 years-old. Most believe that the exodus would be faster but for the lack of realistic alternatives. True, the newspapers are full of tales relating plucky attempts to diversify into, say, wild flower seeds in Texas, alfalfa in Minnesota and Colorado, and even breakfast cereal in Nebraska. But as one wizened maize grower observed: "Diversification is a risk. With new crops, at first you tend to make a lot of mistakes. Right now, the economic environment exists in which to make them." The prospects for those entering the farm service sector — trying their hand at fruit packing in California or farm sitting (the deriva-

necessarily better, than the consolidation of US farm land into fewer hands and larger units is not as inevitable and still less desirable than the transition from corner shop to hypermarket or corral to factory trowler. Quite apart from the hardship of the over borrowed farmers, he argues it is also against long-term consumer interest. "Government policies that favour big operations and cause more and more medium-sized farmers to go down the tube will eventually result in a few huge conglomerates owning most of the land and controlling the food supply," he warns. Phyllis Hughes (the attorney) devotes most of her time, meanwhile, to counselling farmers on the complicated legal issues confronting them. While favouring a conciliatory approach, she is adamant that banks should be made to assume what she regards as their share of the blame for the over borrowed farmers' predicament.

Also preaching interfarmer co-operation is one of several US agricultural pressure groups, the National Farmers Organisation, a Johnny-come-lately body, which acquired prominence during a slump in hog prices in the 1950s. The NFO is believed to be gaining members despite lacking the clout of the more conservative Farm Bureau. The group's central thesis, as Iowa state president Richard Steffen explains, is that farmers can exert a degree of control over their own destiny by using collective bargaining to influence prices. "We are convinced that if we control 20 per cent of the output of a given commodity we could set the price," Steffen contends, reeling off a list of past successes, such as the milk processor who called to place a big order, complaining that he could not find the "so-called national surplus." Can this increasingly well organised grass roots support for the smaller farmer halt or reverse American agriculture's trend towards ever bigger, low labour intensive agribusinesses? Sadly, probably not, without a fundamental U-turn in federal government agricultural policy. Those of us who persist in the old-fashioned notion that cows belong in fields and not in concrete feed lots should wish them luck and a fair wind. The harsh fact is that if domestic farms are going to compete with low-cost foreign producers without the benefit of subsidies — or the Reagan Administration's pledge to get the government out of agriculture — certainly implies — can only live on high volume, low labour intensive bar-

The Long View

The laws of market astronomy

LET ME start with a statistic to illustrate the meaning of the word "astronomical" in a market context. On an ordinary trading day, the turnover booked through the New York Federal Reserve Bank totals one trillion dollars. To scale it down a little, this works out at \$2bn a minute, or \$30m a second.

These figures do not, of course, measure the sort of transactions which occur in a normal business — buying goods or securities, paying salaries, or borrowing money for these purposes.

They mainly reflect hedging operations of various kinds, in which banks seek to reduce their exposure to risks in the exchange markets, from rising or falling interest rates, or from movements in the securities markets.

Much of the business is done through the financial futures markets — the biggest are in Chicago — where turnover is now a good deal bigger than in the stock, bond and bill markets themselves.

London is still lagging a long way behind New York. A American fund manager who is happy with his choice of stocks, but thinks that the market itself may be peaking, covers his position by selling stock index futures rather than selling actual securities. British fund managers still consider the futures markets as somehow too raffish.

Last week's events on Wall Street were an example of financial Star Wars, when computer fights computer in a zero-sum game. Anthony Harris explains how to avoid the cross-fire



have read is even so much as a footnote expanding that, in aggregate, these strategies simply cannot work. Imagine, for simplicity, a world in which there are no futures markets, and stocks are traded only by computers. Each has been programmed by an expert chartist to catch market turning points: after a strong rise, all the computers will be triggered off (at different times, depending on the details of the formula) to sell.

However, they can only sell to other computers, which are also watching the market, so their attempts will immediately trigger off a chain of "sell" orders until prices fall far enough to reverse the process. At the end of the day there will be some winners and some losers; but since the computers between them own all the stocks, the losses and the gains will exactly cancel out. There will only be a profit to the system as a whole if all this activity

tends to raise the general level of prices.

The real world is a great deal more complicated than this, and the theory which would explain the influence of activity on prices is not only complicated but contentious; but fortunately we can look at evidence rather than theory for the answers.

First we had a series of "witching hours" in which Wall Street was convulsed by computers programmed to exploit gaps between the price of stock index futures and the actual level of the market. Then, a week ago yesterday, we had convulsions which were probably triggered off by computers responding to the record rise in the market.

In each case the result was the same. Price movements on the day were very large; but the trend of prices over a longer period — as little as a day or two each side of the incident — was hardly affected at all.

Computer trading seems to make the short-term volatility of the market — the movements from one minute to the next — unacceptably large on days when the computers take charge; but the long-term volatility is probably rather less.

This seems to be because the computers collectively act as an alarm system for human investors. They examine the turmoil, and decide if a rise or a fall really has been overdue. Why the turbulence if the trend remains unchanged? Is this a sign that the computers are stupid after all? Not really. There are in fact two separate mechanisms at work here. The first represents what we might call the Newtonian law of hedging, which states that every effort to avoid a risk results in an equal and opposite increase in the risk you are trying to avoid. When banks tried to avoid interest rate exposures through

floating rate contracts, interest rates became more volatile; when computers try to anticipate market peaks, prices become more volatile.

The return to trend, however, shows that in the stock market we are concerned with an indivisible risk, dealers and computers are only concerned with price levels. Where risk can be packaged, life can get more complicated. In the foreign exchange markets, for example, differential interest rates are supposed to compensate holders of weak currencies and penalise those who retreat to strong ones.

It is possible here to swap exchange risk for interest rate risk; the result of hedging here seems to have been to stabilise currencies, but to stabilise interest rates.

In both the stock market and the currency market, we can draw the same conclusion: hedging operations do not affect the total risk in the system one way or the other. However, while the stock market behaves on the whole as if the hedgers were not there at all, the currency market has decreed that bond investors now face less risk than they once did as regards bond prices, but more on currency prices.

The whole of this column by now looks like a tale told by an electronic idiot, signifying nothing; and that is indeed the right conclusion for the small investor to draw about the occasional brainstorms brought on by electronic trading.

The only way in which the computers can make a net profit out of their operations is by frightening other investors, small or large, into trading with them. Computers may not be very clever, but they really are very quick, and they will nearly always outsmart you in a turbulent market. Sit tight, and don't give them the chance.

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Revels lose energy

THE LONDON Stock Market's extraordinary New Year's party rolled on this week. And, as the indices hit new highs, the revellers were treated to some entertaining distractions, thanks to British Airways, Sir Ralph Halpern of the Burton Group, and what promises to be the City's longest running who-dun-it—the Guinness scandal.

But, amid the fresh record-breaking, there were signs that some of the guests might be getting a little jaded and the party perhaps losing some of its energy. Numerous analysts are suggesting that the market's sharp rise in recent weeks may have little further left to run—at least in the very near term. But then the Cassandra's were saying that a few weeks ago and were wrong.

The surging bull markets in New York and Tokyo led the way for this week's advance in London, which saw the FT Ordinary Index (which has lagged behind both the All-Share and the FTSE 100) close on Tuesday at a record 1441.6. However, that was followed by two days of more gently falling indices as investors took profits.

The rise is underpinned by a fairly buoyant outlook for corporate profits—helped this week by a bullish forecast from the Confederation of British Industry. Some City analysts reckon industrial profits could rise 15 per cent this year, following a 20 per cent increase in 1986.

But the gap between the yield on UK equities and Government securities is now wider than it has been for a long time, and many analysts argue that it is hard to see the equity market making much more progress without a good gilt rally.

And, over the past week, the gilt market has had the

characteristics of the dog in the Sherlock Holmes story which did not bark in the night: interesting for what it failed to do.

The yield on high coupon long-dated gilts has been stuck just about in double figures, despite a succession of factors which might have been expected to drop it through the psychologically important 10 per cent barrier: an opinion poll put the Tories well ahead of Labour (though another at the end of the week had them level-pegging), while the December trade figures were somewhat better than the market had been expecting.

London

The two contrary opinion polls underlined the market's continuing nervousness over the prospects for an election, while eyes have also been firmly focussed on the uncertainties in the currency markets, amid rumours of a new meeting of the Group of Five industrial nations to try to support the unbalanced dollar.

A party mood—albeit one laboriously cranked up by a publicity machine—prevailed as British Airways unveiled its flotation share price. Concorde swooped low over London as the City's investment managers, watching from the warmth of the Savoy Hotel, were treated to an elaborate laser-beam display on the River Thames.

After artfully hinting that the share might be sold at 130p, the Government finally plumped for 125p, valuing the airline at \$900m and offering investors a

gross dividend yield of 6.8 per cent and a multiple of 6.3 times forecast earnings per share. Despite the Government "wealth" warnings to small investors, the pricing should be sufficiently generous to ensure a healthy after-market.

Sir Ralph Halpern, chairman of the Burton Group, will hardly have been in a festive mood last Sunday morning, when he woke up to find his photograph on the front pages of the popular papers amid steamy revelations that he had had an affair with a topless model.

It was the last thing Burton needed. For it came just a few days after rumours—since officially denied—that the group's 1985 takeover of Debenhams was to be investigated by the Department of Trade, and a few days before Burton's annual meeting, when shareholders were to vote on a controversial scheme to give senior executives extremely handsome performance-related share options.

But Sir Ralph, who is largely credited with turning a rusty old tailoring chain into one of Britain's most dynamic

retailers, turned in a virtuoso performance at the AGM, saw the options scheme approved and the Burton share price stabilised.

Among other price movements, Jaguar, BAT Industries and Satchel & Satchel saw some strong buying from the US. A green light from the Government inspector for the Sizewell nuclear power station helped GEC move up sharply. So too did Rascal on publication of its interim figures, which were not particularly good—profits up 8 per cent—but slightly better than expected and also held out the prospect of "another period of sustained growth." But the market has heard that one before.

One of the week's most interesting sets of results came from Rank Organisation, the leisure and entertainment group, which over the past few years had undergone a major rationalisation at the hands of chairman Sir Patrick Meaney and chief executive Michael Gifford. But it blotted its copy-book last year when it failed

with a clumsy, hostile bid for Granada, the television and leisure group, which was blocked by the Independent Broadcasting Authority.

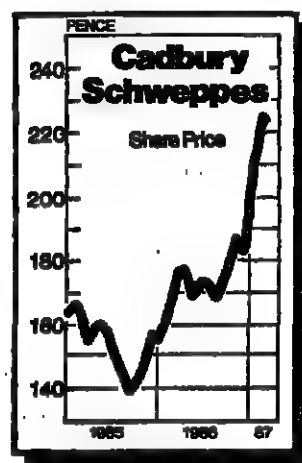
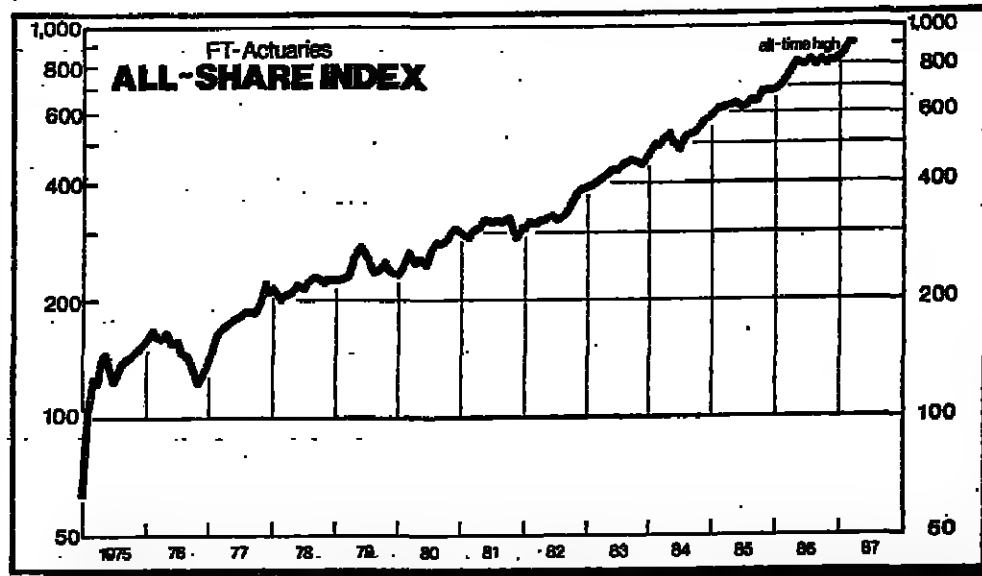
This week it bounced back with a 21 per cent increase in full-year pre-tax profits, to £164m. The best results came from its holiday and recreation businesses—such as the Butlins holiday centres—which have seen much capital investment to upgrade the facilities. Rank Xerox, in which the group has a large stake, has also been thriving, thanks to its small measure to the strong Yen. Analysts are looking for profits of about £195m this year, putting the shares on a p/e of around 12. That is not expensive, yet doubt remains about the strength of the UK consumer boom and Rank's acquisition plans, which now seem to centre on the US.

While Mr Gifford may be laughing, his previous employer, Cadbury-Schweppes, is most certainly not. For much of the past year it has been looking over its shoulder, afraid that a takeover bid for it might materialise.

None has, but the possibility came close this week when a fast-growing American company, General Cinema, revealed that it had built up an 8.8 per cent stake in Cadbury's. General Cinema—its interests range from movie houses to soft drink bottling and department stores—added that it would not make an offer for the company for at least a year, unless there were any material change in circumstances affecting its investment. But that hardly appeased Sir Adrian Cadbury, the chairman of the company, who sent a frosty note back across the Atlantic saying that any addition to General Cinema's stake would not be welcome.

There are rumours—as there have been for months—that one of America's leading food and drinks groups might be preparing a bid for Cadbury's. Whatever the truth, this week's development suggests that the end of the takeover boom, like Oscar Wilde's death, might have been greatly exaggerated.

Martin Dickson



COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m**	Bidder
Prices in pence unless otherwise indicated.					
Baker Perkins	391	392	355	155.78	APV
Barrow Hephburn	528	54	42	17.23	Yale Catto
Beristors	1863	165	137	9.11	Ferguson Ind
Berkeley Expln	70	63	56	17.05	Clyde Pet
Bulmer & Lamb	135*	138	123	15.62	Ranger Oil
Burns Anderson	115*	119	—	23.64	Allied Textile
Crouch (Derek)	255*	213	218	31.81	Dudley
Datserv	216	195	200	71.24	Ryan Intl
Dialene	289*	280	260	11.01	Bell South Corp
D. J. Security	116	114	91**	4.71	Brianana Security
Alarms	305**	308	203**	713.54	Britt & Comm
Exco Intl	274	280	153**	20.80	Sketchley
Equipa	133**	132*	231	307.45	F & O
Europa Ferries	159	159	108**	5.71	Tarmac
Feb Intl 'A'	108	109	78**	3.76	Tarmac
Fogarty	169	170	97	31.49	Coloraid
Fothergill Harvey	311	302	176	39.01	Coloraid
Gates (F. G.)	120*	123	114	10.05	Clitrap Bldgs
Goldsmiths Grp	2708	263	264	40.56	Oridiane
Grosvenor Group	125*	123	120	7.79	BBA Group
Grosvenor Group	135**	123	125	8.41	Hollis
Hanera	70*	69	57	5.04	Warner-Lambert
Howd & Wyndham	157*	17	20	2.74	Intermediate Secs
Land & Nthm Grp	817	751	714	90.11	Demonster Two
McCorquodale	515*	515	253	151.45	Norton Opax
Supra Group	105	105	73	17.08	Evode Group
Utd Tst & Credit	5024*	480	470	12.33	Somportex
Wedgwood	585	555	423	256.13	Waterford Glass
Wentworth Bros	157**	152	173	1.87	RMC
Whitworth Elect	148	139	84	5.58	STC

* All cash offer. † Cash alternative. ‡ Partial bid. § For capital not already held. ¶ Unconditional. ** Based on 2.30 pm price 30/1/87. †† At suspension. †‡ Shares and cash. ††† Related to NAV to be determined. †††† Loan stock. ††††† Suspended.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)	Earnings* per share (p)	Dividends* per share (p)
Alfred Textile	Sept	6,390 (7,500)	22.4 (19.7)	8.0 (6.8)
Associated Fish	Sept	4,120 (3,430)	17.6 (10.8)	4.0 (3.2)
Blue Arrow	Oct	7,630 (1,930)	21.6 (14.9)	2.0 (1.2)
Camford	Sept	2,580 (1,900)	11.8 (8.4)	2.5 (1.7)
Crown TV	Sept	484 (418)	4.6 (7.0)	3.5 (3.8)
Dennison Elec	Sept	888 (1,000)	13.4 (13.4)	3.2 (3.7)
Domestic Print	Dec	3,610 (2,550)	17.3 (12.3)	2.3 (1.0)
Gallagher	Dec	117,400 (109,720)	—	—
Glass Glover	Sept	2,330 (1,981)	14.9 (13.8)	4.3 (3.9)
Habit Freedom	Sept	1,060 (64)	7.4 (5.0)	2.0 (1.7)
Lourho	Sept	165,100 (158,300)	25.5 (23.8)	11.91 (10.91)
M & G Group	Sept	15,520 (101,438)	13.6 (8.2)	5.28 (3.78)
Microsystems	Oct	2,540 (1,400)	13.9 (7.9)	2.28 (—)
Rank Org	Oct	164,100 (135,020)	48.4 (33.7)	11.75 (9.8)
Standard Sec	Sept	1,870 (1,717)	11.8 (10.5)	4.5 (4.5)
Telecomputing	Sept	711 (811)	11.6 (10.5)	1.5 (—)
Transwood Group	Dec	219 (180)	0.3 (0.5)	—
TSE	Nov	205,600 (169,387)	—	1.07 (—)
Yelverton Inv	Oct	349 (24)	2.8 (0.5)	—

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)	Interim dividends* per share (p)
AGS Research	Oct	4,410 (4,010)	5.23 (4.95)
BCE Holdings	Sept	337 (246)	—
BTS	Sept	106 (228)	1.3 (1.3)
Border TV	Oct	252 (226)	0.8 (—)
British Bloodstock	Sept	176 (360)	2.5 (2.5)
Canlon Group	Oct	202 (460)	—
Courts Para	Sept	2,500 (2,410)	1.75 (1.75)
Gray Electronics	Oct	3,050 (2,120)	1.244 (0.987)
Daejan Holdings	Sept	8,700 (7,382)	5.0 (5.0)
Dale Electric	Oct	539 (471)	1.6 (1.5)
Douglas (R. M.)	Sept	1,000 (803)	1.3 (—)
Ensign	Oct	2,020 (1,760)	2.0 (1.6)
Eye Construction	Sept	1,300 (1,105)	1.6 (—)
Finlan	Sept	175 (235)	1.8 (1.5)
Harvey & Thompson	Dec	604 (295)	2.5 (1.78)
Hillards	Nov	4,500 (3,782)	1.775 (1.0)
Home Farm	Nov	287 (699)	1.15 (1.15)
Jones Ernest	Sept	785L (314L)	1.4 (1.4)
London Shop	Oct	3,340 (3,450)	1.55 (1.45)
Mahmet Holdings	Nov	139 (387L)	0.5 (—)
Marlborough S & C	Sept	348L (387L)	0.5 (—)
Mercantile House	Oct	27,000 (32,700)	4.25 (4.25)
M. Holdings	Sept	1,100 (705)	2.6 (2.3)
Neepsend	Sept	13 (355L)	—
Novel	Oct	25,300 (23,247)	0.8 (0.78)
Saville Gordon	Oct	2,020 (1,760)	2.4 (2.0)
Smith W. H.	Nov	25,800 (21,322)	0.6 (0.4)
Turnbull Scott	Sept	79L (27)	3.0 (3.0)
Vibroplant	Sept	2,640 (1,980)	4.25 (3.7)

(Figures in parentheses are for the corresponding period)
* Dividends are shown net pence per share, except where otherwise indicated. L. Loss.

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

British Airways—Offer for sale of 720.2m shares at 125p.

Busier than expected

FOR THE first week of a new market it was not too bad at all. There was lots of interest from private investors, even some from the smaller institutions. All in all the Third Market has been much busier than anyone expected.

For Brian Winterlood, director of County Securities which is the most active third-tier market maker, the opening week of the Stock Exchange's new market for small companies was an unqualified success. Most of the other market makers echo his sentiments.

The pace of trading on Monday, the new market's first day, was very brisk, with each of the eight debutante stocks enjoying active trading. Business was rather less brisk in the middle of the week and trickled away on Thursday and Friday. Most market makers are now waiting the next flurry of new issues to rekindle interest in the Third Market.

Yet in the USM's opening weeks it was the new issues which dominated trading. On the third tier, by contrast, it has been the empires from the over-the-counter market and the Stock Exchange's rule 535 (2) which have lapped up interest, probably because would-be investors had been waiting for them to join a more liquid forum.

Theme Holdings, the London restaurant group which had hitherto traded on the OTC market, emerged as the most active stock. Its share price bobbed up and down throughout the week, but ended 8p higher at 53p.

The most successful stock, in terms of share price movement, was Abelsco, which has interests in graphic materials. Before its Third Market debut Abelsco had been occasionally dealt on rule 535(2), and investors jumped at the opportunity to trade in it on the more

accessible third tier. The share price rose by 20p to 200p on the first day, and increased further during the week, to reach 230p.

Catalyst Communications, the publishing and public relations group, drummed its share price up by 9p to 54p. Even the Unit Group, a Business Expansion Scheme issue (and therefore expected to be relatively dormant), surged to a 10p premium at 132p; but it slipped back later in the week to close at the issue price of 122p.

Corton Beach, a holding com-

Junior Markets

pany with interests in automotive, food, leisure and textiles, made its debut on Tuesday.

Corton Beach had originally intended to join on Monday, but was forced to postpone its flotation when the train carrying the data for its Extel card was delayed.

Judging by its performance on the OTC market Corton Beach looks likely to be one of the more dynamic companies on the third tier. Since the present chairman, Mike Keen, acquired an interest in the company in 1984 it has embarked upon an active acquisition programme, thereby boosting its share price from 4p to 55p—at which it joined the Third Market—and after fairly active trading, to 58p at the end of the week.

Meanwhile on the USM, the Microsystems Group, which manufactures bus ticket machines, taxi meters and other electronic gear, justified the dizzy rise in its share price, which has almost doubled to just under 240p since its placing last January—by announcing a

rise in preliminary profits of 82 per cent to £2.54m.

Microsystems also acted to counter analysts' concern that it cannot sustain the rate of organic growth. It has acquired Analytical Instruments, a private company with similar interests. The City expects profits of £3.7m for the current year and a p/e of 15, which suggests that the share price may rise further, if not quite so dizzily as before.

TMD Advertising, the media buying specialist, watched its shares rise to a peak of 136p after announcing the acquisition of a 50 per cent stake in Horizons, an international media buying group. The progress of TMD's share price has been rather pedestrian since its flotation; partly because the market in its shares is fairly tight, and partly because it is the only publicly quoted company of its type. The company intends to tackle its liquidity problem by funding for future acquisitions with shares.

The Parkfield Group, the "yuppie" engineer, is still banded about as a USM growth stock, although its share price has stabilised in recent months on concern that, having sped through a stream of acquisitions, it may be less adept at the more prosaic business of organic growth.

Last week Parkfield pounced on the photographic interests of the Spectrum Group, one of the posse of electronics stocks which joined the USM with a fashionably high rating in the mid-1980s and watched its share price plummet as it suffered in the electronics slump. Spectrum's misfortune has turned into Parkfield's good luck and, together with projected profits of £8.5m and a prospective p/e of 12.5, could add another 50p to the share price.

Alice Rawsthorn

HIGHLIGHTS OF THE WEEK

	Price y/day	Change on week	1986-87 high	1986-87 low	
F.T. Ordinary Index	1441.0	+15.1	1441.6	1094.3	International interest rate hopes
Allied Textile	332	+25	385	206	Pleasant annual results
Associated Newspapers	526	+43	526	218*	Cost savings potential
BOC	418	+19*	423	279	Ahead of first quarter figures
Boots	567	+11	566	309	New drug development hopes
Bryant Holdings	157	-17	180*	80	English China Clays bid lapses
Burton	267	+17	354	242	Denial of DTI rumours
Cory (Horace)	27	+6	281	16	Speculative demand
Electronic Machine	86	-17	85	46	Major acquisition talks aborted
Fothergill and Harvey	302	+34	302	157	Increased bid from Corinco
Lucas Inds.	530	-13	553	433	Brokers lower profits forecasts
Mercantile House	382	-19	406	352	Adverse comment/Australian problem
Meyer International	320	+34	320	171	Revived bid rumours
Randsworth Trust	343	+23	143	22	Randsworth House planning approved
Rank Organisation	607	+22	611	420	Good preliminary figures
Reasbrook	138	+21	138	62	Yale Catto increases stake to 15%
Rotork	190	+11	190	115	Possible bid
Sedgwick	315	-18	408	299	Brokers "sell" recommendation
Taylor Woodrow	345	+19	351	236	Sizewell contract hopes
Wellcome	285	-27	292	196	Nomura Research sell recommendation

Two break silence

NEXT week is a quiet one on the results front, with only two large companies so far signalling their intention to report. The first is UNITECH, which reports on Tuesday on its half-year to November.

No one is expecting anything particularly thrilling from this company. Mr Peter Curry, chairman and sole chief executive following the departure of his younger brother John earlier this month, warned in the annual report that orders and sales for the first two months had been flat and were likely to remain so for the rest of the first half.

The prognosis seems unlikely to be far off. Unitech's problem is that its fortunes are closely tied to the state of the electronic components industry, and this has long been bedevilled by slack demand and

overcapacity. The elimination of losses following the closure of CES (Germany) will provide a useful shot in the arm and could help the group take pre-tax profits ahead to a little over £5m compared with £4.8m last time. But mostly attention will be focused on whether the interim statement gives any grounds for hope that the long-awaited recovery

money market rates consistently higher than the yields on the instruments—Treasury, corporate, commercial and bank bills—which the discount houses tend to carry. However, at the interim stage, Union Discount had what was described as an "excellent" trading performance. The second half is not expected to have been as good.

It is a time of change for the discount houses as the structure of the market has been profoundly affected by the lead-up to Big Bang. Union is one of the only four independent houses left. It seems certain that the houses will lose their monopoly on dealings with the Bank of England—this has forced them to diversify to protect their long-term survival.

Union originally planned to be one of the gilt market makers, only to withdraw when it saw the extent of the competition. It has concentrated on building up its leasing and futures activities.

Results due next week

in its marketplace is any closer. Analysts rarely attempt to predict the pre-tax profits of discount houses, so forecasts of UNION DISCOUNT'S figures, due on Wednesday, centre on the dividend. It is expected to be 29p, making a total of 40p. Last year Union reported a slump in pre-tax profits to £1.13m from £7.94m, thanks to

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at			Frequency of payment	Tax (see notes)	Amount invested £	Withdrawals (days)
		29%	45%	60%				
CLEARING BANK*								
Deposit account	5.00	5.12	3.96	2.88	monthly	1	—	0-7
High interest cheque	7.70	7.93	6.14	4.46	quarterly	1	2,500 minimum	0
Three-month term	7.44	7.65	5.93	4.31	quarterly	1	2,500-25,000	90
BUILDING SOCIETY								
Ordinary share	6.00	6.09	4.72	3.43	half yearly	1	1-250,000	0
High interest access	7.75	7.75	6.00	4.37	yearly	1	500 minimum	0
High interest access	8.00	8.00	6.20	4.51	yearly	1	2,000 minimum	0
High interest access	8.50	8.50	6.58	4.79	yearly	1	5,000 minimum	0
High interest access	8.75	8.75	6.78	4.93	yearly	1	10,000 minimum	0
90-day	8.75	8.94	6.93	5.04	half yearly	1	500-24,999	90
90-day	9.00	9.20	7.13	5.16	half yearly	1	25,000 minimum	90
NATIONAL SAVINGS								
Investment account	11.75	8.34	6.46	4.70	yearly	2	5-100,000	30
Income bonds	12.25	9.27	7.18	5.22	monthly	2	2,000-100,000	90
32nd issue	8.75	8.75	8.75	8.75	not applicable	3	25-5,000	8
Yearly plan	8.84	8.84	8.84	8.84	not applicable	3	20-200/month	14
General extension	8.70	8.70	8.70	8.70	quarterly	3	—	8
MONEY MARKET ACCOUNTS								
Money Market Trust	7.92	8.08	6.26	4.55	half yearly	1	2,500 minimum	0
Schroder Wagg	7.48	7.74	6.00	4.36	monthly	1	2,500 minimum	0
Provincial Trust	8.22	8.54	6.61	4.81	monthly	1	1,000 minimum	0
BRITISH GOVERNMENT STOCKS‡								
7.75pc Treasury 1985-88	9.77	7.48	6.22	5.04	half yearly	4	—	0
10pc Treasury 1990	10.36	7.44	5.83	4.32	half yearly	4	—	0
10.25pc Exchequer 1995	10.31	7.33	5.69	4.15	half yearly	4	—	0
3pc Transport 1978-88	7.88	6.96	6.46	5.99	half yearly	4	—	0
2.5pc Exchequer 1990	8.10	7.29	6.84	6.41	half yearly	4	—	0
Index-linked 1990/1	7.72	7.12	6.79	6.48	half yearly	2½	—	0

• MARKETS •

Stuff to chew on

AFTER RISING for three weeks on a mixture of cash and high spirits, the US equity market last week had some earnings figures to chew on. They were not too bad, or at least not bad enough to undermine a market that capitalises past earnings at the confident multiple of 18.

The Dow Jones Industrial Average rose sharply on Tuesday to a record, and then set another record on Wednesday when most of the broad averages were at or near peaks. Prospects of a price war in the airline industry grounded the transportation average on Thursday and pulled the Dow down in sympathy—but by just 3.38 points. Volume on the New York Stock Exchange was respectable, rising steadily to 205.3m shares on Thursday, which was a nice change from the mantle of two Friday's ago.

There were some nice surprises—from Merck, the drug company, or the paper makers, or Philip Morris—where a falling dollar has helped overseas earnings or lifted the weight of import price competition from domestic profit margins.

The ugly figures—from the oil or AT&T—were partly the result of special restructuring charges that are grist to the market's mill. The market already knows that big companies have been laying off workers at unprecedented rates,

and lower operating costs mean that even a small improvement in unit volume from a sluggish economy gets through to profits. The market does not mind non-recurring charges, return on equity is flattered by an equity base that has been written down, while the lower earnings level makes any profit improvement look dramatic.

The December trade deficit was announced on Friday: at \$10.6bn it was the smallest for nearly two years. The mammoth November figure of \$19bn was revised down \$4bn. On just two months' figures, it is early

Wall Street

days to be saying that US industry is recapturing its own market and riding a lower exchange rate abroad, particularly as exports were down in December. On Friday the stock market's immediate response was downward, and the bond market did not seem to want to rally just before next week's Treasury auctions. But Mr Michael Metz of Oppenheimer, who has been rather a cool observer of the market's high jinks, was pleased. "The trade figures give the bull case for earnings a big push," he said

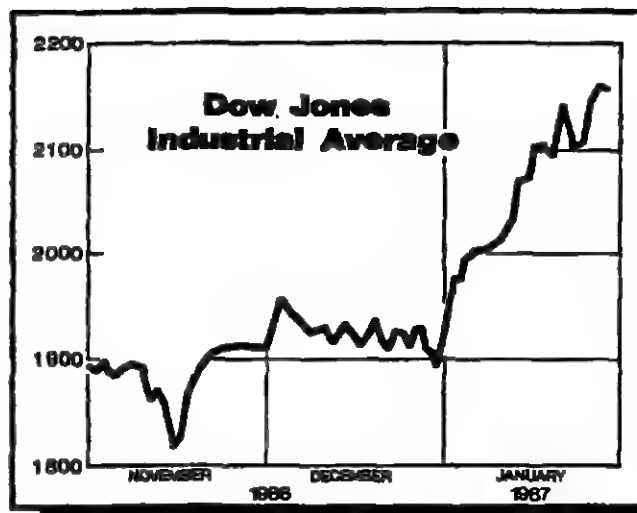
on Friday morning.

Exxon kicked off the week with results which showed that it still earns the largest profits even if it is not the most profitable company. Earnings before various special charges and gains were almost halved in the fourth quarter, but the market seems to think that the worst effects of the falling oil price are past: Exxon's share price rose \$1.25 to \$80.5, only just short of its peak.

Mobil, Texaco and Chevron reported sharp falls in operating net income later in the week, but their prices all rose as well. Everybody maintained his dividend—even Texaco—and that is what matters.

On Tuesday, Merck, the least diversified of the US drug companies, produced the most exciting figures of the week—as its share price had long promised. Earnings for the quarter were up 28 per cent, helped by strong currencies in its large overseas business, and its share price rose \$2.88 to \$138.88 and pulled the other drug companies with it. Merck is trading on an historic multiple in the upper 20s, but then it has just launched five drugs in the US.

Philip Morris, the tobacco and consumer products company, actually showed earnings growth of 31 per cent, but the figures were flattered by the inclusion



of an extra month from its General Foods acquisition, and the spectacular growth in overseas sales over the year—11 per cent—got eaten up by heavy marketing costs on the way to earnings. Its stock price rose \$3.75 to \$87.25.

The paper companies, Southwest Forest, Weyerhaeuser and Kimberly-Clark, were all well ahead because of weaker import competition. Southwest Forest, which accepted an offer from Stone Container, rose \$7.5 to \$31.13 and Kimberly-Clark rose \$9.5 to \$108.5 when it said it was buying back some shares.

Airline stocks might have done better after Piedmont Aviation, a successful medium-

sized carrier, received a bid approach from Norfolk Southern, a railroad holding company, and TWA reported a turn-around from loss to profit in the fourth quarter.

Thursday also saw AT&T report a quarterly loss of \$1.17bn, but this was after a special charge of \$1.7bn after tax to account for cuts in the workforce and restructuring. AT&T's share price fell \$0.5 to \$25.75.

MONDAY 3,107.28 + 5.78
TUESDAY 3,156.45 + 48.17
WEDNESDAY 3,163.39 + 12.94
THURSDAY 3,160.01 - 3.38

James Buchan

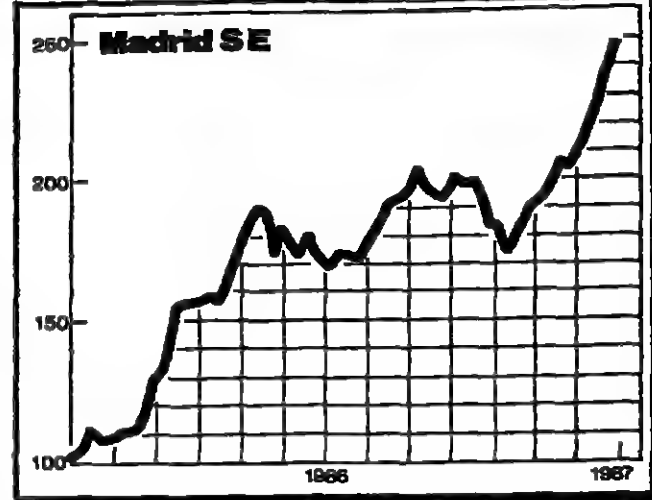
Demand surges onwards

THE MADRID Stock Exchange has already done more business this year, in one month, than in the whole of 1983. And to think that 1983, the first of a remarkable series, was actually considered rather a good year.

Last year, when the Exchange's general index rocketed up by a 108.31 per cent, people got excited when one day's turnover reached Ptas 18bn (\$31m). Although still small by the standards of the major European exchanges, this would previously have been quite unthinkable. Now it is happening every day.

Spanish companies may be kicking and screaming about the effects of the EEC and their problems in trying to compete, but it seems there is no stopping the stock market. Madrid's performance—beaten last year only by the indices of the smaller Spanish exchanges of Bilbao and Barcelona—has kept it at or near the top of the world league. This week's index close of 245.10 although below Thursday's peak, showed a 17.7 per cent gain since the beginning of the year.

Last year broke all records.



The index hit its first "double." Total trading volume in stocks and bonds grew by 180 per cent, and equity dealings by 250 per cent. Total market capitalisation of quoted shares rose to about Ptas 6,500bn from Ptas 3,000bn.

Since 1980 total trading has multiplied by 48, share dealings by 30, dealings by foreigners by more than 100. The net inflow of foreign investment last year, at Ptas 125bn, was more than double 1985's, which was treble 1984's. In Britain, which has dominated the foreign investment picture, the first unit trust geared specifically to the Spanish market has just been launched by Dumenil.

Spaniards, who can no longer remain oblivious to what is going on at Plaza de la Lealtad, still tend to regard the Stock Market, however, as a hermetic institution where a small group of people made fortunes dealing in a small group of companies. Despite the boom this is not such an inaccurate picture.

"I am amazed by how few people in Spain know anything about the equity market," remarks Monica Morales of the recently-formed financial services company Investcorp. Share ownership does not spread very far afield, and the market remains very narrow.

Since the late 1970s the number of listed companies has shrunk from 600 to barely 300. Only this year will the trend probably be reversed by new companies coming on to the market. This week's record Ptas 43.7bn flotation of the Catalan motorway operator Accsa is the first in the queue.

The shortage of available paper to meet surging demand means that the threat is always looming in the background that the market will one day stall, Italian-style, and collapse.

In the last boom period, before the 1973 oil crisis, 14 stocks made up more than half the market. In 1986 the

same 14 stocks still accounted for half the market. Bank stocks, the traditional backbone, accounted for 38 per cent of foreign purchases last year. Although investors have been proving more selective in their targets, almost all sectors have pulled along in the recent rise. Spanish investors set it off; the foreigners followed. Improved company profits, relatively low interest rates, and income tax change removing

Madrid

tax relief on bond purchases; but keeping it on share purchases, and the closure of some alternative outlets for "black" money have all contributed.

It was thought that the recent easing of restrictions on purchases of foreign securities by Spanish individuals and institutions would take pressure off the Spanish market. But, with a stable peseta, there has been no rush to get money abroad.

Meanwhile, some of the odd habits that have hindered other people's understanding of the Spanish market have been disappearing. The Madrid Exchange is now working with a permanent index instead of going back to 100—which would have been quite a bump—at the beginning of the year. From April, shares are due to be traded in pesetas instead of percentages of nominal value.

As in Paris, a limited range of shares is now traded during the afternoon. Since November there has been a "second market," more lightly regulated than the main market and aimed at smaller companies, but so far inhabited by only one lonely stock. And now that Spaniards are freer to invest abroad, the way is presumably open for introducing foreign stocks in Spain.

David White

Look down under for gold

THE GOLD mining town of Kalgoorlie is so busy that exploration companies have to wait months to hire the drilling rigs they need to go prospecting.

One group got so tired waiting that it built its own equipment from parts from scrap yards—and immediately had rivals on the telephone wanting to rent it.

It is not too late to invest in the current expansion of the Australian gold mining industry. The mining companies say that the success of the last five years in discovering, providing and exploiting ore reserves in Australia has only encouraged more groups to go looking for gold. New mines were opened last year, according to the Western Australian Department of mines: 25 are planned to start production in 1987. Gold output, which was under 30 tonnes five years ago, is set to reach 100 tonnes in 1988.

The difficulty in the stock market is picking the few likely winners from the great number of companies that go looking for gold. It is safest to begin by lifting

through the established producers. The industry's expansion has already created a number of companies with market capitalisations between A\$200m and A\$500m. With a gold mine in place, they are in a position to make profits, pay dividends, and fund future exploration and development from their own funds. For example, Pancontinental Mining, with interests in Queensland coal and in an undeveloped zinc-lead-silver deposit (Lady Loretta), as well as Paddington Gold Mine near Kalgoorlie, is already well on the way to becoming a diversified mining house.

Barrick Mines, which expects to produce at an annual rate of 100,000 ounces by the end of 1987, also looks very secure with two mines in production, at Whuna and Horseshoe Lights. Investors do not forgo the potential rewards of exploration with these companies. Pancontinental is prospecting for

platinum as well as gold. Barrick is one of several companies actively exploring in Queensland. At Crofton it says it has identified a 990,000-tonne reserve of ore which could be mined at 3.6 grammes a tonne.

Resources

A decision to start a mine is expected soon.

Metals minerals is another established producer. Its busy exploration programme includes looking for diamonds at Nulagie, in northern Western Australia. Peter Ingram, director, says the company has found a mineral which could be kimberlite, the host-rock for diamonds. Alluvial (water-borne) diamonds have long been discovered in the area.

More importantly, these companies and others are busy looking around and underneath deposits they are already

mining. Geologists believe that this is where the next generation of underground gold mines will probably be developed. Australian Consolidated Minerals, a 40 per cent-owned subsidiary of Amstar, is investigating the Great Fingall deposit which lies next to its rich underground mine at Golden Crown, in the Murchison minerals belt north of Perth. In addition, ACM has a 50 per cent stake in nearby Big Bell, an old mine where Placer Pacific has identified considerable reserves. A decision to mine is due shortly.

ACM is important to start, but Placer has a number of other projects on its books. Companies which have yet to produce any gold are a much trickier proposition. Perth broker Eyres Reed McIntosh says: "Translating geological reserves into mineable reserves is still a practice fraught with danger." Mount Percy, a mine owned by the North Kalgoorlie Mines company controlled by

Alan Bond, has only recently overcome difficulties in maintaining the grade of ore being mined.

There are some pointers to the better companies: management quality is critical. Brokers prefer groups with geologist on the board; accountants and lawyers are acceptable if they can attract good technical people. A favourite among Perth brokers is David Muller, chairman of Julia Mines, who has a geology degree and an MBA. The company expects to start production this summer at Goongahrie, north of Kalgoorlie, at an initial cost of \$40,000 ounces a year.

Access to capital is also essential—companies which raise only A\$1m or A\$2m can fund only a modest two-year exploration programme—usually not enough to bring a mine to the brink of production. Finally, there is the ore deposit—the most difficult element for outside investors to

judge. The companies themselves never really know their ore until they start mining. Harbour lights—a joint venture mine managed by Esso in partnership with Carr Boyd Minerals, Hill Minerals, and Asac Exploration—last year shook the market by sharply downgrading estimated reserves. It was a sobering thought that even Esso—which has a high reputation in the goldfields—could make such a mistake.

However, reports and rumours about deposits move junior shares more than anything else. One way of trying to take advantage of this would be to back companies exploring prospects where bigger groups appear to be active: juniors with interests near Western Mining's Lady Bountiful mine have recently soared on the announcement of increased reserves.

At the end of the day there is no substitute for luck. Peter Vanderspey, chairman of Delta Gold, says: "As always, it is a very small proportion of explorers who become producers."

Stefan Wagstyl



If your money competes in the Financial Olympics you'll want a share in the medals.

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Over 1 year	215.3%	122.3%
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Over 5 years	236.5%	227.0%

Source: Murray Management Research Services Ltd. All figures are in £ millions.

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Legal Notices

INSOLVENCY ACT 1986
NOTICE OF APPOINTMENT OF
JOINT ADMINISTRATIVE RECEIVERS
CONTINUOUS HEAT TREATMENTS
LIMITED
COMPANY NUMBER 788987

In accordance with Section 46 (1) (a) of the Insolvency Act 1986 notice is hereby given that David Robert Wilton and David John Corney, of 2nd Floor, Edmund House, 15-21 Newhall Street, Birmingham B3 3JL, were appointed Joint Administrative Receivers of the above-named company on 21st January 1987 by Barclays Bank PLC under the powers contained in a debenture dated 7th February 1984. The above mentioned debenture creates a fixed charge over all the freehold and leasehold property, fixed plant and machinery, goodwill, uncalled capital, and a fixed charge over book debts and other debts. The above mentioned debenture also creates a floating charge over the undertaking and assets of the company.

The company's registered office and trading address is Woodall Works, Fosseway Street, Cadbury Heath, Warwick, West Midlands, B64 5DH.

DAVID ROBERT WILTON,
DAVID JOHN CORNEY.

No. 0058 of 1987
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
BULLERS PLC
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to His Majesty's High Court of Justice for the confirmation of the cancellation of £242,000 of the amount standing to the credit of the Share Premium Account of the above-named Company.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before The Honourable Mr. Justice Vinelott at the Royal Courts of Justice, Strand, London WC2A 2LL, on Monday, the 9th February, 1987.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an order for the confirmation of the said reduction of Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the under-mentioned Solicitors on payment of the regulated charge for the same.

Dated 28th day of January, 1987.
NORTON, ROSE,
BUTTERFIELD & ROCHIE,
Solicitors,
Kempson House,
Cannon Street,
London EC3A 7AN,
Solicitors for the Company.

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High Low	Company	Price	Change	Div. (p)	%	P/E
151 118	Ass. Int. Ind. Ord.	181	—	7.3	4.8	8.3
155 121	Ass. Brit. Ind. CUL	185	—	10.0	6.5	—
40 28	Armitage and Rhodes	38	—	4.2	11.7	8.0
78 64	BBB Design Group (USM)	78	—	1.4	1.8	18.8
216 168	Borden Hill Group	216	—	4.6	2.1	24.5
100 95	Bry Technology	100	—	4.2	4.9	11.8
158 75	CCL Group Ordinary	130	—	2.9	2.2	9.2
107 85	CCL Group 10pc Conv. Pref.	80	—	18.7	18.9	—
270 118	Carborundum Ordinary	270	—	9.1	3.4	13.0
93 90	Carborundum 7.5pc Pref.	93	—	10.7	11.5	—
125 75	George Blair	90ad	—	3.8	4.2	2.3
113 57	Ind. Precision Castings	113	—	6.7	8.8	10.1
178 125	Isis Group	125	—	18.3	14.8	7.2
124 101	Jackson Group	123	—	6.1	8.0	8.4
377 280	James Burrrough	340	+18	17.0	5.0	8.8
100 89	James Burrrough 5pc Pref.	90	—	12.9	14.3	—
1035 342	Multihouse NV (AmstSE)	710	+88	—	—	37.3
380 280	Record Ridgway Ordinary	351	—	—	—	8.3
100 83	Record Ridgway 10pc Pref.	83	—	14.1	17.0	—
81 87	Robert Jenkins	91	+1	—	—	4.0
48 30	Scutellaria	144	+1	—	—	—
144 67	Torday and Carfill	144	—	5.7	4.0	8.7
240 321	Trevaun Holdings	321	—	7.9	2.5	6.7
79 42	Unilock Holdings (SE)	78	—	2.8	3.6	14.4
120 65	Walter Alexander	120	+1	8.0	4.1	11.5
200 190	W. S. Yates	195	—	17.4	8.9	18.5
88 87	West Yorks Ind Insp (USM)	88	—	5.5	5.7	14.0

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MAIN FEATURES OF BA OFFER

- Price of 125p a share values British Airways at £900m and is 6.3 times forecast earnings per share of 13.1p.
- Minimum application is for 400 shares. Price is payable in two instalments: 65p now and 60p on August 18.
- Net dividend of 4p will be paid in July. BA says it would have been 6p in a full year, so the notional gross yield is 6.8 per cent.
- Small investors will get one free share for every 10

- still held at the end of three years, to a maximum of 400 bonus shares.
- Some 20 per cent of the issue has been allocated to overseas investors and 45 per cent to City institutions. Up to 10 per cent of the rest has been set aside for BA employees.
- If the UK public offering is subscribed more than three times, 50 per cent of the shares allocated to overseas and institutional investors will be clawed back.

- Employees get 76 free shares each, plus two free shares for every one bought to a maximum of 120 purchased and a 10 per cent discount on purchases of up to 1,600 shares.
- Foreign shareholders will be limited to around 35 per cent to protect BA's status as a UK flag carrier.
- The prospectus warns that criminal proceedings may be taken against multiple applicants.

BA has its risks, warns Richard Tomkins
High flier for Sid

THIS WEEK'S publication of the prospectus for the British Airways flotation found the Government making an eleven-hour attempt to whip up some enthusiasm for the issue among investors.

The price was announced amid an orgy of publicity aimed at securing peak-time television news coverage of the event. Sure enough, the TV cameras on the banks of the Thames lapped up the Concorde fly-past, the 50 ft diameter floating globe depicting British Airways' route network, the showers of laser beams and the fireworks.

More importantly, the pricing itself was plainly set to generate a wider interest in the issue. After talking of a possible 130p a share at the end of last week, Hill Samuel, the merchant bank sponsoring the flotation, eventually announced a price of 125p — a figure which looked cheap by comparison.

But a sudden apparent concern all of a sudden to widen the market for British Airways' shares? And does the issue look any more attractive to the small investor now than it did when the pathfinder prospectus came out a month ago?

Right from the start of the British Airways flotation, the Government made it clear that this was not a big, safe, monopoly utility, and the Government did not want to risk first-time investors getting their fingers burned — especially in the run-up to a general election.

The marketing for the issue was therefore aimed at professional investors and the institutions rather than the Sid in the street. Certainly, there was heavy television advertising, but it did not take the folksy form of the British Gas campaign, nor was it complemented by a

direct mailing to millions of householders.

Unfortunately, these efforts to steer the issue away from the inexperienced investor backfired. They were widely misinterpreted as meaning that the issue was unsuitable for any small investor. As a result, only 500,000 people applied for prospectuses for the offer for sale compared with 7m in the British Gas flotation.

On the face of it, this might not matter. After all, so much of the issue has been set aside for institutional investors, the overseas markets and employees that only about 25 per cent remains for the UK public — although this portion will be expanded through a "clawback" of shares from the other investors if it is more than three times subscribed.

The trouble is that the greatest enthusiasm for British Airways' shares at the moment is coming from overseas investors, particularly those in the US who are used to dealing in airline stocks. They see British Airways as a quality stock at a bargain basement price.

That enthusiasm seems set to provide the impetus for a successful flotation — but it will evaporate overnight if the issue is seen as a flop in the UK domestic market. The Government is therefore anxious to ensure that the UK public offering is indeed three times subscribed so that the clawback provision is triggered. That has become the benchmark of success by which the issue will be judged.

Consequently, the shares have been priced more cheaply than might otherwise have been the case, and the issue suddenly looks rather alluring.

The main reason for this is the fact that the 125p is payable in two instalments: 65p now and 60p on August 18. This has the effect of exaggerating the effective yield and the likely premium.

The astute reader of the British Airways prospectus will have noted that the 4p a share net dividend is to be paid in July, before the second instalment is due. That means the actual gross yield on the partly-paid price is 8.7 per cent. That is not an annualised yield, but the return at the end of just six months.

On the question of the premium, analysts are predicting that the shares will begin trading at about 15p above the offer price and rise to a premium of 25p to 35p over the next few months. That would not be a big premium on the fully paid price: but on a partly-paid 65p, the percentage rise would be 38 per cent initially and up to around 80 per cent in the short term.

A tantalising strategy therefore comes into view. A purchase of, say, 1,500 shares would cost an initial £975 and would produce a grossed-up dividend of £55 in July. That amount would be risk-free: on top of it would come whatever premium the shares were trading at, and according to the pundits, that could produce up to £525 more. Add the two figures together and you are looking at a profit of anything up to around 80 per cent at the end of just six months.

British Airways is, however, a risky investment even over such a short time-scale at that. The share's profits are acutely susceptible to factors beyond its control, as the current year forecast vividly illustrates, and its share price is likely to be highly volatile.

The longer the investment, the greater the exposure to these and other risks, and the shares are likely to be heavily traded as perceptions about the profits outlook change. Anyone thinking of holding out for the one-for-10 bonus issue of shares at the end of three years is therefore likely to need a very strong stomach indeed.

David Lascelles weighs up TSB shares

Through the ceiling

PROFIT forecasts in issue prospectuses are made to be beaten. So it was no surprise that the TSB, reporting its first results since flotation in September, came in a few hobs over the £201m it had indicated in September.

But the actual outturn, £205.6m pre-tax, contained no specially pleasant surprises. The dividend, at 1.085p a share was exactly as forecast. As a result, the group's share price eased slightly on the announcement, closing Thursday at 50p, down 2 1/2p.

Even at this price, though, initial investors are still sitting on a handsome capital gain of 60 per cent on their original 50p investment. And the question for the TSB's 2.5m shareholders must be whether to hang on for further benefits, or cash in on the easy gains.

Several things weigh in the balance. First, they must decide whether they want to be a true long-term shareholder, in which case they will have to pay the second 50p per share instalment next September, though they will qualify for the one-for-10 free share loyalty bonus if they are still shareholders on September 30 1989. By doing this, they could share in one of the more

interesting stocks in the banking sector because the TSB has more options for its future growth than the other clearing banks.

For those who take the shorter view, the considerations depend on the performance of the TSB itself, and there the big question is how the group spends the £1.5bn it received from the flotation.

This week's results made one thing clear: at the moment the TSB is operating well below its full profit potential. This is because it has invested a good part of its capital in gilt-edged stock and other secure but liquid assets, keeping it ready for the day it decides to make a big acquisition. That is not good news for investors because these assets earn low returns, and if shareholders really want to invest in gilts, they could do it more cheaply themselves.

Also, the results showed that the TSB's profits from its core business — banking — are the slowest growing because the TSB's development costs are enormous and it is being cautious about expanding its loan book. Banking profits were up 9.5 per cent to £134m.

By contrast, the TSB's other activities like credit cards,

insurance, vehicle leasing and finance house services, raised their profits by 35 per cent to £83m. However, the strongest growth in this part of the group came from credit cards (profits nearly doubled to £11m), for reasons which the TSB admits were exceptional.

So, to sustain a healthy growth in profits the TSB must find a lucrative home for its cash and that could be difficult.

Sir John Read, the chairman, refused to be drawn this week on where the TSB is looking, other than to recall that the prospectus talked of businesses like insurance, personal financial service and estate agency. Rather than make a single huge acquisition of a publicly quoted company, the TSB might buy a string of smaller, private companies, like a travel agency it bought recently.

The day the TSB does announce a big acquisition will be a kind of judgement day. The stock market will judge the quality of TSB's management by its choice, and the quality of the group itself by what it means for profits. That is probably the moment many shareholders will have to decide whether the TSB is a proposition to stick with.

Dial-an-overdraft

A VOICE on the telephone may soon be telling you the bad news about your overdraft if an experiment by Lloyds Bank, to be launched in September, proves successful.

Anticipating the demand for home banking services — already being exploited by Bank of Scotland and more recently the Midland subsidiary, Clydesdale — Lloyds decided to try a different approach.

Instead of harnessing the television, Prestel or computer screen to provide personal banking information, Lloyds plans to use domestic telephones.

Customers will be provided, for about £5 a month, with a small box called NBS Talker, which is connected to the telephone by a special adaptor. The box incorporates a numbers keyboard and a "card swipe".

You simply pick up the phone, "swipe" your Lloyds cashpoint card through the reader on the Talker box and enter your Personal Identification Number on the keyboard. You then use the keyboard to give instructions about what you want to

know or do — find out the size of your overdraft or pay an outstanding electricity bill.

The number of transactions will initially be limited to inquiring about the balance (or lack of balance) in your account; checking recent entries; ordering travellers' cheques and foreign currency; or paying certain bills like gas, electricity or Access and other credit cards.

But in future, according to Stuart Ramsom, chief manager of marketing for UK retail banking, it might be extended to many other uses such as providing information about financial services, such as personal loan rates, car hire or theatre bookings are other possibilities.

Mr Ramsom says that it is planned to make the Autophone "verbal response" a human voice, something like the time information service (TIM) rather than a robotic sound. So far the "voice" has not been chosen.

He claims the telephone home banking system has many advantages. It is portable so it



can be used anywhere in the house or office where there is a plug-in phone. And using a phone overcomes the problem of having to commandeer the TV screen when others are viewing a favourite programme.

Mr Ramsom predicts that Lloyds will probably charge about £5 a month to rent the Talker box. On top of that will be the cost of the what will be the bank's local phone call.

The bank is seeking some 1,000 volunteers to test the scheme.

John Edwards

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FINANCE & THE FAMILY

Nicholas Bunker on Russian bonds progress

Tsars' mint imperials

BARELY six months ago, Tsarist bonds were little more than ornate relics of Imperial Russia. If they had a cash value at all, it depended purely on the varying levels of collectors' interest.

But holders of Russian bonds should think carefully before they apply for a share in the £46m compensation fund set up by the Foreign Office to meet claims from the Soviet Union's British creditors.

Fortunately, they have two months to reflect (plus a little research) on the pros and cons.

Price Waterhouse, appointed to look after the fund, has made March 31 the deadline for receipt of completed application forms from bondholders. June

30 is the latest date for claims in respect of property—such as factories or farms seized by the Bolsheviks 70 years ago.

These bonds present quite complex problems. For one thing, nobody has any idea how many Tsarist bonds are in existence. The 1902 book lists bonds in issue with a face value of 2.5bn roubles (or about

\$1.25bn at 1900 exchange rates) but many more were issued between 1902 and 1917.

Also, nobody knows how many are in British hands (only British and some Commonwealth citizens qualify for the pay-out), or how many have been lost, destroyed or sold to foreign collectors (West Germans are the most avid).

None of the 280 series of state bonds listed in the Tsar's Great Book of Public Debt for 1902 had paid a brass rouble of interest since Lenin's coup d'état toppled the Romanov dynasty in 1917.

Then, in July last year, Britain and the Kremlin astonished bondholders and dealers alike with the news that they had finally agreed to settle claims on each other dating back to the Bolshevik Revolution of 1917.

This means that no one can yet predict the volume of claims on the fund—in spite of the British Government's predictions that the pay-out might be 10 per cent of each bond's face value. That prediction is based purely on the fact that between 1918 and 1951 the Foreign Office received claims totalling £400m from potential creditors of the USSR.

The greater the number claims, the less money will go to each claimant—and in any case it will be limited to a proportion of the face value of the bonds, with no allowance for interest.

Clearly, a bond holder might get a better deal by selling his certificates to a dealer or collector. Two problems arise. First, collectors only want certificates in mint condition, except a tattered, dog-eared bond certificate that happens to come from a rare issue.

Second, prices in the collectors' market are now decidedly erratic—because of the shock of last July's announcement.

The market was always uncertain in any case. A speculative boom in the late 1970s and 1980s pushed prices to as high as £1,000 for a £100 face value



certificate. But the market collapsed so that early last year beautifully printed Russian certificates were selling for less than £10 in London.

So another possibility is to keep the certificates as a speculative investment in the hope of another collecting boom. Deciding on the best course of action will require some research on your bond certificate to find out just how valuable it might be to a collector. Remember, if thousands of bonds like yours are surrendered to Price Waterhouse and later destroyed by the Government the value of those unsundered will rise.

The standard work on Russian bonds is a two-volume work by two Germans, Drumm and Henseler—but this is unlikely to be easily accessible in this country. London has, however, one of the world's leading experts, Mr Leslie Tripp, a dealer whose annual catalogue of bond certificates is as good a research guide as any.

Alternatively, why not just keep the bonds as heirlooms? Do we really want to see such charming relics incinerated in the basements of Whitehall?

Leslie Tripp, Scripophily International Promotions, Linen Hall, 156 Regent Street, London, W1.

Market agility

Top fund managers are racing ahead, despite the City scandals. Alice Rawsthorne describes the ups and downs.

INSIDER TRADING scandals notwithstanding, the world's stock markets have raced ahead since the start of the year and the Great Investment Race's competitors have followed suit, with each team boosting the value of its portfolio.

In the race six teams of top fund managers are testing their investment skills to see which can make the most money for charity by managing a £25,000 portfolio—donated by Prudential Unit Trust Managers—for a year. The race, organised by Charity Projects, began in late September and just three months later, two of the teams have already doubled their original portfolios.

All the teams took stock of their investment strategies at the start of 1987 and have since engaged in active trading. Even Bell Lawrie, the Scottish stockbroker house which opted for a stable policy at the beginning of the race, has added new stocks to its portfolio.

Bell Lawrie has bought shares in Cadbury Schweppes—investing before General Cinema unveiled details of its holding last week—because, as the managing director, Derek McIntosh, puts it, recent changes in corporate strategy make the company look "very interesting," as do the persistent bid rumours.

It has also acquired stakes in two Scottish companies, Gramplan Holdings, a mini-conglomerate, and Scott and Robertson, which is involved in packaging. Bell Lawrie's analysis believes both companies to be undervalued. Otherwise the portfolio remains intact and is now valued at £37,744.

Fidelity, the fund management group, is still hard on the heels of the leaders, Prudential Portfolio Managers. Unlike Bell Lawrie, Fidelity has adopted an energetic investment policy and, having engaged in a speedy stream of buying and selling, has augmented its portfolio to £75,909.

Most of the teams have concentrated on the UK stock

The Great Investment Race

market, but Fidelity has applied its "opportunistic" policy all over the world. Since the start of the year it has traded equities and bonds in Italy, the US, Japan and, by buying shares in Tyne Tees Television, in the UK.

The London stockbroker, Hoare Govett, is still trailing behind the rest of the field but has at least restored its portfolio to profitability after a successful bout of day trading.

Hoare Govett has bought and sold stakes in BCE Holdings, the Hackney Group and Hammer Property, but still holds Boots and Premier Consolidated Oilfields. Its portfolio is now worth £35,112, but it suspects that the London stock market is "over heated" and intends to hide its time until the outlook is more encouraging.

L. Messel, the London broking house, has emerged as another opportunistic investor. It has amassed an eclectic portfolio composed of shares in the embattled US leisure group, Resorts International, financial futures, and warrants. The Messel portfolio now stands at £46,566.

The Japanese securities group, Nomura, has stuck to Tokyo, its home territory, for the race. Since the start of the year it has bought and sold equities on the Japanese stock market. Its portfolio is now worth £33,951 and is divided between cash and a stake in Nippon Business Consultants.

The Prudential is still clinging to the lead it established at the very start of the race, although the team has been rather less active in its investment policy in recent weeks. It has added Japanese bonds to the core portfolio of UK equities—Attwoods, Seazer and Walter Runciman—and has increased its portfolio to £94,342, almost treble the original value.

"In the last few weeks the market has been so strong it has surprised us and in some markets we are in great danger of seeing the strength we had expected to come in the course of the whole year being concentrated in January," says Trevor Pullen, director of UK equities. "In many ways we would feel happier if things were rather less rosy. So we will wait until the markets have calmed down."

Owners enticed

MIDLAND BANK has moved fast to take advantage of the recent decision by the Bank of England to relax the rules on loans using your home as security.

This week it announced two new lending schemes. The most innovative is the Home-Owner Reserve scheme, which allows you to borrow money for any purpose (buying a yacht etc.) with the bank taking a first or second charge on your house as collateral.

Under the scheme you can have a revolving line of credit, between a minimum of £3,000 and a maximum of £15,000 which you repay on monthly basis. The amount you borrow is restricted to up to 50 times the monthly repayment (anything between £80 to £300), dependent on the value of your property and your income.

The interest rate is not particularly competitive, for a secured loan at 15.5 per cent (APR 16.3) which is 4.5 per cent above base rate. But it is a lot cheaper than normal personal loans where the APR is 19 per cent or the bank's revolving credit scheme at 20.4 per cent. At the same time there are, for once, no extra fees or charges.

Midland has also launched a Home Improvement Loan scheme, which enables you to borrow money for any home improvements that would qualify for tax relief under Miras (Mortgage Interest Relief at Source) at an interest rate equivalent to the bank's normal rate paid for a first mortgage—currently 12.5 per cent (equivalent to an APR of 13.4) and slightly above the market average.

The minimum loan is £3,000, with no maximum, and repayments can be spread over a period up to 25 years. In other words, it is like a second mortgage, with no extra premium on the interest rate.

The bank takes out a second (or first) charge on your property as collateral and charges you an arrangement fee of £50 for the privilege of lending you money, unless you already have a mortgage with the Midland. You also have to pay security (legal and administrative) costs, as well as a compulsory loan protection policy, on which the bank earns commission.

John Edwards

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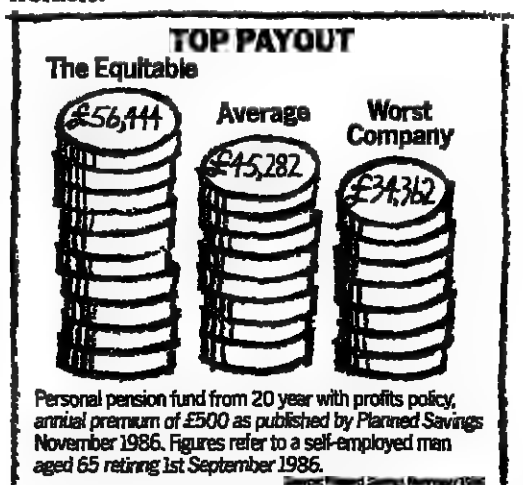
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FINANCE & THE FAMILY

Philip Coggan reviews some recent BES issues

Investors have a royal choice

AN ANTI-AIDS spray, cat litter and Royal memorabilia were among the products on offer from companies launching Business Expansion Scheme issues over the last fortnight, as the rush began to attract investors seeking tax relief in the next financial year.

The Royal Family will form the centrepiece of an exhibition called Royal Britain, which a company called Unicorn Heritage is hoping to stage at a building near the Barbican. It hopes to raise £5m via sponsor Johnson Fry.

Royal Britain will be very much a "hi-tech" exhibition with special effects from people who helped on the design for musicals like Time and Phantom of the Opera. If all the planned effects come off, visitors will experience the sensations of Mary, Queen of Scots, as she walked to the scaffold and be able to see how they would look dressed in Henry's VIII's armour or Princess Diana's wedding dress.

The project also has an educational tinge. Each "feature event" on a different aspect of Royalty will be accompanied by background information on the historical events described. Words are not likely to be in short supply given the background of Mr Gyles Brandreth, Unicorn's artistic director and deputy chairman. A publisher and TV personality, he holds the world record for the longest ever after-dinner speech.

Unicorn hopes to have the

exhibition open by January 1, 1988 and if it hits its target of 900,000 visitors in the first year, it projects pre-tax profits of around £1m. The issue will open for subscription next week.

Cat litter is one of the main products manufactured from the speciality earths and absorbent minerals imported by Lawrence Industries, a firm which has raised £1.9m via an issue sponsored by Williams de Broe Hill Chaplin. Other uses for Lawrence's products include jet fuel purification granules and non-drip agents for paints.

Johnson Fry launched the biggest ever underwritten BES issue for Edinburgh Tankers,

plants of Europe. An illustrative profits projection of £500,000-£750,000 is based on Edinburgh Tankers raising £5m (the minimum underwritten is £4.5m).

The shipping industry has been plagued by overcapacity for some time but Edinburgh Tankers believes that the cycle is due for an upturn. If it is, the company could benefit from capital appreciation and from an increase in freight rates. The profits projection is based on freight rates remaining at present levels.

Two smaller issues have opened for subscription. Acorn

made pre-tax profits of £22,193 on turnover of £71,000 in the year to September 30, 1986.

Acorn is issuing up to £550,000 shares at £1.60 each with a preferential rate of £1.30 each for existing shareholders. The company is not using a sponsor.

The anti-AIDS spray comes from a company called Protecto, run by Mr Anthony and Ms Yvonne Broughton. They claim to have developed a disinfectant spray VS which can destroy the AIDS retrovirus, when it is present on hard surfaces or equipment. The fluid for the spray is mainly being manufactured by Atom Chemicals, a company controlled by Mr Broughton. Protecto has no trading record and is seeking to raise only £123,750 via the issue of 99,000 shares at £1.25p each.

Meanwhile, an issue from Midminster Group for an engineering software publisher and distributor called Modus Marketing was fully subscribed. A total of 1.85m shares were offered at 13.5p each, raising just over £250,000.

The Black Horse Brewery is not a further diversification by Lloyd Bank but a BES scheme from Pointon York. Black Horse hopes to raise £2.875m so that it can buy the eponymous brewery and then build up an estate of tied and free houses, starting with the Home Sweet Home pub in Roke, Oxfordshire. The group will then produce two beers—a flagship real ale and an ordinary bitter.

LATEST BES OFFERINGS

Company	Maximum amount	Minimum application	Share price
Edinburgh Tankers	£15m	6,000 shares	50p
Black Horse	£2.875m	400 shares	£1.25p
Unicorn Heritage	£5m	3,000 shares	£1
Protecto	£1.25m	400 shares	£1.25p
Acorn Hardwoods	£850,000	325 shares	£1.60p

which plans to operate a shipping fleet carrying liquid refined oil products like aviation fuels. Depending on how much of the maximum £15m the company raises, it will buy one or more ships which will ferry cargo between the oil refineries and chemical

Hardwoods has already twice tapped BES investors for funds, in 1985 and 1986. The Saxmundham-based company hopes to develop a range of forestry-related activities to build on the basis of its existing business as a specialist oak merchant with its own saw mill. It

Prestige launched on promise

WHEN ADRIAN Collins moved to Arbutnot Latham in April last year he promised to launch some new products aimed at stimulating the somewhat sluggish performance of the group in unit trusts.

This week he announced the first venture in relaunching the Arbutnot Portfolio Trust under a new name Prestige Portfolio Trust and with some added features. The relaunch is likely to cause quite a stir since it introduces new types of charging both affecting both the investor and the intermediaries selling the product.

First the good news for the investor is that the initial front load charge on the Portfolio Trust has been cut from the normal five per cent to only 3.5 per cent. At the same time the annual management fee has

been reduced from 2.5 to 1.9 per cent — a figure still well above the industry average but at least slightly more bearable.

In addition investors are offered "free" unrestricted switching between the sub-funds in the Trust. It is probably more accurate to say the switching is "commission free," since when you switch you sell the existing fund and buy the new fund you want at a special conversion price—an asset valuation calculated between the Department of Trade and Industry bid and offer price.

The number of sub-funds in the Trust has been increased. There are two extra geographical funds for Canada and Singapore and Malaysia. Somewhat surprisingly in view of their recent performance a commodity and a gold fund have

also been added to the portfolio. Because this is an authorised on-shore unit trust (a family of funds, according to Mr Collins) as opposed to an offshore "umbrella" fund, the commodity and gold investments have to be in shares and not the underlying raw material.

Finally there is a special deposit fund, open only to existing investors in the equity funds. You can switch into the Deposit Fund at any time, possibly to protect yourself against falling stock markets, but the rate of interest is below money market rates and it is viewed only as a short-term measure. Annual charge for the Deposit Fund is cut to 0.75 per cent.

Possibly the most controversial feature of the new Trust is that intermediaries, who would previously have expected to

earn commission on switches, will instead be offered an annual 1 per cent renewal fee.

Mr Collins, who claims that the present charging structure of the unit trust industry is still "in the dark ages," says that the annual renewal fee will provide independent brokers with regular income and should help them survive in the brave new world after the Financial Services Act where their very existence is threatened.

The renewal fee, of course, comes out of the hefty 1.9 per cent investors are charged, but it should discourage intermediaries from making unnecessary switches to boost their commission intake.

John Edwards

Russian Compensation

The Foreign Compensation
(Union of Soviet Socialist Republics)
(Registration and Determination of Claims)
Order 1986

Her Majesty's Government announces that this Order is due to come into effect on 1 February 1987. Copies are available from HMSO.

A fund of about £46 million will become available for distribution to those who can satisfy the terms of the Order. Claims may be made by:

- Original British or Commonwealth claimants or their successors in respect of financial and property claims arising before 1939 which were registered with the Foreign Office Claims Department or the Russian Claims Department of the Board of Trade between 1918 and 1951.
- British holders on 14 July 1986 of bonds issued or guaranteed by Russian authorities prior to 7 November 1917.

It is not possible to forecast what percentage of the assessed value of successful claims will be paid. Claims registered between 1918 and 1951 were valued by the claimants at approximately £400 million. This did not include all the bonds for which claims can legitimately be made. It follows that the payout as a percentage of the amount claimed is likely to be small.

Application forms and explanatory leaflets may be obtained by sending the coupon below to the Foreign Compensation Commission, c/o Price Waterhouse, 134 Buckingham Palace Road, London SW1W 9SA (telephone 01-823 4181).

Please note that completed application forms in respect of bonds must be received by 31 March 1987. Those in respect of property, debts and other claims must be received by 30 June 1987.

To: Foreign Compensation Commission, c/o Price Waterhouse, 134 Buckingham Palace Road, London SW1W 9SA

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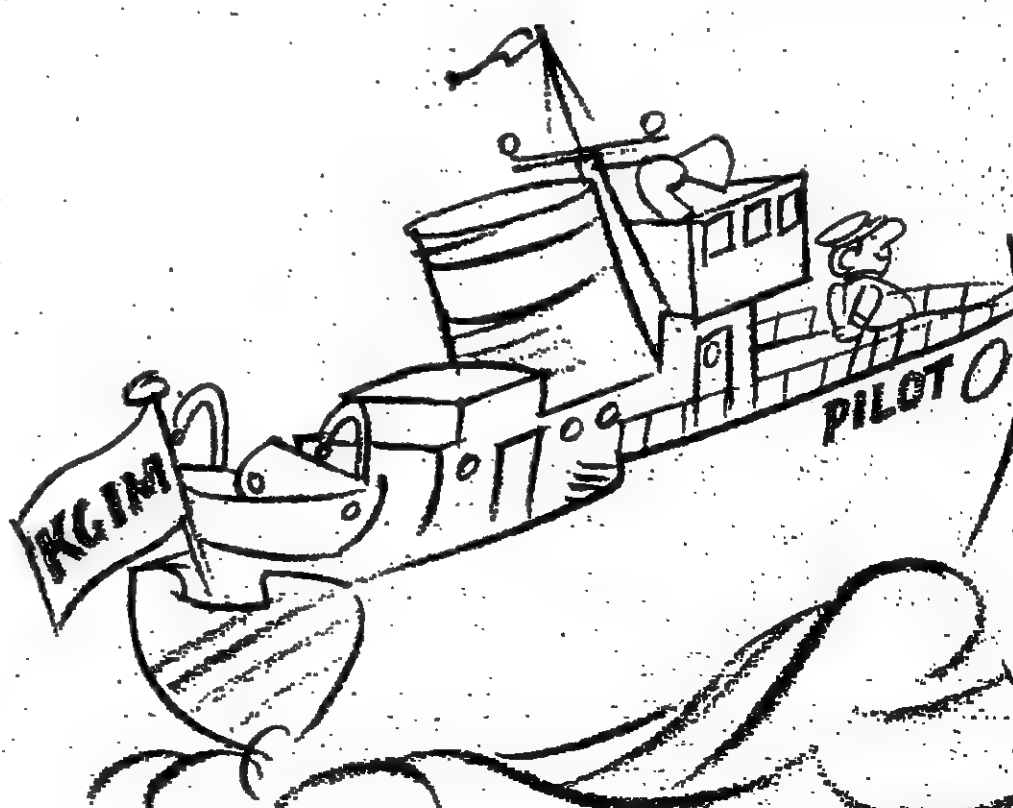
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FINANCE & THE FAMILY

Eric Short assesses some recent pay-out declarations

With bonuses I thee endow

A SIGNIFICANT number of traditional life companies have announced reversionary bonus rates for 1986 and terminal bonus rates for this year, following the lead given by Norwich Union last month.

The pattern of declarations has been predictable this time round. Every company has maintained its reversionary bonus rates, so no cuts are likely this year. Almost all companies have made increases in terminal bonus rates and some of these increases are substantial.

A minority of life companies has taken the opportunity to consolidate the terminal bonus — not paid out until the policy matures or becomes a death claim — into the reversionary bonus form, which is guaranteed by declaring special reversionary bonuses.

The effects of declarations on investors with maturing with-profit endowments are shown in the tables for investment periods of 10, 15 and 25 years. The tables by no means cover the complete list of life companies which have made declarations to date.

Investors who took the decision many years ago to save through a with-profits endowment, and who have stayed the course will find that their patience and forbearance have been rewarded, especially if they picked the right company at outset.

The return by Clerical Medical

on a 10-year endowment of £8,943 provides a return to investor of 17.3 per cent net of tax. It ignores the benefit that the investor would have had of Life Assurance Premium Relief and that the whole maturity sum is paid free of all taxes. In contrast £30 a month invested in a building society subscription share account over 10 years would have produced £5,628.

On a 15-year maturity, the £17,508 pay-out from Clerical Medical represents a 14.3 per cent net return, compared with the building society investment producing £10,683.

On these results alone, with-profit investment provides a much higher reward than building societies with very little extra risk, despite the traumas caused last year by the problems of United Kingdom Provident Institution.

However, despite these results life companies operating through independent intermediaries are seeing very little 10- and 15-year with-profits business. The market in with-profit endowments is linked almost entirely to the house mortgage market.

So it is not surprising that the biggest effect of the bonus structure occurs for 25-year contracts. The increases in maturity values look phenomenal. No equity market would show such rises overnight.

Now that life companies have to show standard bonus projections, which produces similar figures, they are concentrating

on past performance figures as a marketing tool.

The return of £48,225 over 25 years from Clerical Medical represents a net return of 11.6 per cent. But even a £40,000 payout would give a yield of 10.4 per cent.

Laymen not fully appreciating investment conditions over the past 25 years may be puzzled by the higher yield on a 10-year policy compared with that on 25 years. The yield represents an average of investment yields over the investment period. Equity yields have been reaching their peaks in the past few months. Yields over the past 10 years have been far higher than those of 20 years ago.

A closer analysis of the tables show that some companies have made far larger increases than others. But in assessing this feature two points need to be borne in mind. First, some life company actuaries are giving much more consideration to maintaining their bonus rates for as long as possible in the face of lower interest rates bringing about a bonus cut.

Secondly, many life companies keep their terminal bonus rates paid on claims under constant review and change these rates during the year. A life company with a low maturity rise this time could well consider reviewing its terminal bonus rates in a few months' time.

Nevertheless, it seems evident that some life companies are endeavouring to close the gap between themselves and the top paying companies. It has always been the case

that the top mutual life companies gave far better returns than proprietary companies, where around 10 per cent of profits have to go to shareholders. This year, the gap between these two sets of companies is closing with proprietary companies, Commercial Union and General Accident Life, making massive increases, particularly at 25 years.

Under the Financial Services Act, an independent intermediary has to give best advice to his clients. There are fears that this will restrict intermediaries to recommending only the top five best performers.

Finally, there appears to be aberrations with certain companies. This can arise from a variety of factors — change in premium rates or policy fees 10 years ago, or a change in bonus structure. For instance, the 10- and 15-year policies of LAS (Life Association of Scotland) are on the compound bonus system with no increase in terminal bonus rates and the 25-year on the simple bonus system with a large change in rates.

Comparisons with payouts on maturities in January 1986 could well show steady increases by these companies. There are a variety of ways of making comparisons, but space does not permit more.

A complete review of the effects of bonus announcements will be made when the other life companies have made their declarations, particularly the leaders — Standard Life, Scottish Equitable and Scottish Widows.

COMPARISON OF MATURITY VALUES ON WITH-PROFIT ENDOWMENT CONTRACTS
MAN AGED 29 AT OUTSET, PAYING GROSS MONTHLY PREMIUM OF £30

(1) 10-YEAR TERM

Company	Jan 1987	Dec 1986	Change %
Clerical Medical	8,943	8,087	+10.6
Friends' Provident	8,577	8,557	+0.2
Norwich Union	8,431	7,922	+6.4
Scottish Life	7,919	7,569	+4.6
Commercial Union	7,529	6,840	+10.1
Sun Alliance	7,368	7,475	-1.4
Scottish Provident	7,250	6,523	+11.1
GRE	7,121	7,468	-4.6
Equity & Law	7,093	7,467	-5.0
General Accident Life	6,812	6,461	+5.4
Scottish Equitable	6,519	6,429	+1.4
LAS	6,309	6,305	+0.0

(2) 15-YEAR TERM

Company	Jan 1987	Dec 1986	Change %
Clerical Medical	17,508	15,808	+10.8
Friends' Provident	17,392	17,162	+1.3
Norwich Union	17,283	15,750	+10.3
Scottish Life	16,704	15,692	+6.4
Equity & Law	15,678	15,270	+2.7
Commercial Union	15,313	13,700	+11.8
GRE	15,012	15,401	-2.5
Sun Alliance	14,985	14,960	+0.1
Scottish Provident	14,913	13,284	+12.2
General Accident Life	14,035	12,932	+8.5
LAS	13,431	13,406	+0.2
Scottish Equitable	12,960	12,741	+1.7

(3) 25-YEAR TERM

Company	Jan 1987	Dec 1986	Change %
Scottish Life	48,837	43,288	+12.8
Clerical Medical	48,225	45,461	+6.1
Norwich Union	48,198	43,594	+10.5
Friends' Provident	47,539	46,497	+2.2
Scottish Provident	44,771	39,558	+13.1
Commercial Union	44,767	39,575	+13.1
Equity & Law	43,644	41,389	+5.4
GRE	42,619	41,068	+3.8
Sun Alliance	42,508	41,104	+3.6
General Accident Life	40,900	34,868	+17.3
LAS	40,045	31,008	+29.1
Scottish Equitable	32,774	32,113	+2.1

* Composite figure

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Contentious commission

WHETHER ONE likes it or not, commissions paid to brokers and intermediaries do have a big influence on the type of product sold to investors.

The unit trust industry has consistently complained that one of the reasons for the success of single premium investment bonds is that they pay higher initial commissions and are, therefore, promoted more vigorously even if they are not the most suitable product for the particular investor.

The commissions committee of LAUTRO (Life Assurance and Unit Trust Regulatory Organisation) has been grappling with the problem of "harmonising" commission payments to agents over the whole range of financial products.

Commission annually from years two to five. For unit trusts, it was proposed to retain essentially the existing commission arrangements.

The proposals have attracted a good deal of controversy. The unit trust industry would like to see a true "harmonisation" between bonds and unit trusts.

Whatever the outcome of the debate, most of those concerned agree that bond commissions are likely to come down, and unit trust commissions are not likely to rise. How then is "product bias" (more jargon) to be eliminated, without expecting all the movement to come on the bonds side?

This is where murmurs about reducing unit trust "switching commission" have started to be heard. To eliminate product bias between bonds and unit trusts, the argument runs, both should have a 3 per cent initial commission. There would be a renewal commission in the case of bonds (payable whether or not switching occurs), and a lower switching commission on unit trusts.

It is hard to say whether lower switching commissions would be welcomed by unit trust groups or not. On the one hand, they would discourage brokers from switching within the same group. This would be an unwelcome effect as far as the group was concerned, in that the investor's funds would be lost on switching. From the investor's point of view, the range of trusts from which the broker was prepared to make his choice would be reduced for reasons which had nothing to do with investment considerations.

On the other hand laying down rules about what sort of switching does and does not qualify might play havoc with brokers who want quite justifiably to keep clients' money liquid for a period between investments.

The problem of identifying switches with unit trust investments will probably scupper the lengthy deliberations in which the commissions committee is now bogged down.

Christine Stopp



One of the major bones of contention has been the different commissions paid on sales of unit trusts and investment bonds.

At present, 3 per cent commission is paid to brokers on a unit trust sale. But if the investor's funds are switched from the trust to another, this counts as a new purchase, and a further 3 per cent is payable.

Bonds, on the other hand, earn an initial 5.2 per cent for the broker, but since switching is all done within the same product, there is no "switching commission".

LAUTRO's original proposals were that bond commission be reduced to 4 per cent initially, with a small renewal commis-

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Only once a particular trading approach has been agreed will we begin trading on your behalf.

Our experienced Account Managers will constantly review your trading positions.

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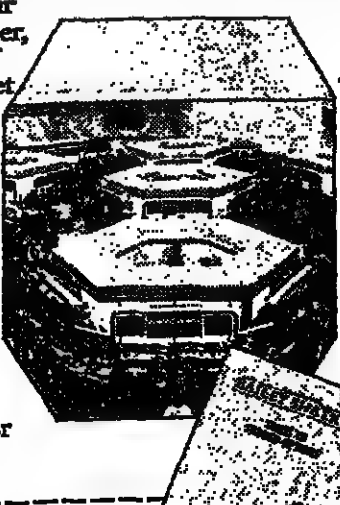
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FINANCE & THE FAMILY

Tax on second homes

Some years ago my wife inherited a property in the Lake District which we have been using as a second home. As our years advanced, we have found it more and more difficult to look after it and realise that in a few years' time we will reluctantly have to sell it.

Our problem is Capital Gains! The house was valued at £29,000 at probate about 10 years ago, and now should be worth about £70,000.

Our permanent home is the one we elected for our domicile, and we do not intend to sell this. We wonder if it is advisable to change our elected domicile to our Lake District house? If we do this, how long would we have to wait until we could sell it without having to pay Capital Gains? It is a pity that you have missed our published replies to broadly similar questions, over the years. At least you would have known that a free pamphlet, entitled *Owneroccupied Houses*,

is obtainable from tax inspectors' offices: ask for pamphlet CGT4. We have criticised this pamphlet because it oversimplifies the intricate rules, for example — but it is quite useful as a starting point.

It certainly looks as though you and your wife should give notice to your tax inspector that her Lake District house is to be treated as your main residence, with effect from two years before the date of the notice. When the Lake District house is eventually put up for sale, you should jointly give a further notice (on the day of the sale contract) that your present house is to be treated as your main residence with effect from two years before the date of that notice: the solicitor who acts for you in the sale will be able to guide you through the CGT maze. The estate agent who acts for you will be able to give you an estimate of the market value of the house at March 31 1982, for the purpose

of indexation relief, and to negotiate that value with the District Valuer, if need be. The cost of ascertaining the March 31 1982 value will be deductible in calculating the gain for CGT purposes (unless by chance that value proves to be less than the probate value).

Suppose, for illustration, that (a) the previous owner died on December 31 1976, (b) the market value at March 31 1982 was £50,000, (c) the cost of ascertaining that value is £100, (d) you give joint notice on January 31 that the house be treated as your main residence since January 31 1985, (e) the house is sold by contract dated July 31 1989 for £70,000 net after expenses, (f) on that day you give joint notice that your present house be treated as your main residence since July 31 1987, and (g) the RPI for July 1989 is £430. The chargeable gain would then be £14,331: $3,953/4,595$ ths of (£70,000 — £29,000 — £100 — 37.2 per cent of £50,000) = £14,331.



No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Close the account

I have seen with interest occasional references — including the article "Tax perk for gas buyers" in your columns on December 6 — to the loophole in the 1985 Finance Act enabling a capital gain "loss" to be established on a building society share account.

In my case I have had an account going back a number of years. It has been used fairly actively, but the average holding has been in five figures. I am likely to incur a capital gains charge in the present financial year.

During the next few weeks I expect to run the account down to a very low level to provide bridging finance to my son. Because interest is added annually on May 1, I would prefer not to close it down completely, as John Edwards suggests, since this would bring forward to the current year a higher rate tax liability. Thinking of the way in which CGT is applied to a partial disposal of a share holding, is the closing of the account a necessity?

Presumably, in order to establish the size of the indexation loss, it will be necessary for me to evaluate each deposit and withdrawal of capital back to April 1982. This will be onerous.

John Edwards' article was based upon a newsletter issued to clients of Capel-Cure Myers, as he mentioned, so it reflected that firm's opinions. It suggested closing share accounts

this year simply in order to secure maximum indexation relief. In case the Chancellor alters the law in his March Budget — because they think that the allowance of losses on redemption of building society shares is an unintended loophole. In fact, we on the Briefcase panel were not surprised that the Chancellor did not exclude building society shares from the scope of his indexation changes in the 1985 Finance Act; we think that the allowance of losses on redemption of building society shares was intentional (because building society shares have been within the scope of CGT ever since its introduction on April 7 1985) and so we do not expect the Chancellor to change the law on this point. Only time will tell which of us is right.

In the Briefcase column, of course, we only deal with questions raised by readers (and others who take advantage of our free advisory service): if anyone had asked us 18 months ago about indexing the cost of building society shares, we should have confirmed that they are indeed covered by the general principle in section 86 (4) (c) of the Finance Act 1982 (as amended in 1985). "If the unindexed gain or loss is nil, there shall be a loss equal to the indexation allowance."

Although the CGT rules laid down by Parliament for building society share accounts are onerous, it is only fair to point out that they are far less onerous than those for foreign currency bank accounts (under section 135 of the Capital Gains Tax Act 1979, which taxpayers have had to cope with since April 6 1987). In your case, it certainly looks as though the prospective saving of CGT justifies the time you will have to spend with your passbook and a calculator.

Do not forget in claiming that, where (after your pool of shares acquired since the end of 1981-1982 has been exhausted) a withdrawal is deemed to be a part disposal of your pool of shares acquired before April 6 1982, the indexation relief should be based upon the market value of the shares at March 31 1982 (which will reflect the accrued interest at that date), in accordance with section 68 (4 and 5) of the Finance Act 1985.

Cover your breakaway

IF IT is possible that anything good can arise from your car breaking down — or worse, injuring yourself — in the recent freeze-up, it can only be to remind you how much worse an accident would be on the holiday ski slopes.

Most people planning winter holidays will take out extra insurance. But what cover do you get? You might be covered financially, but recovering your money when you are safely back at home is of little comfort should you break down in freezing fog or be taken ill. What you need is a helping hand on the spot.

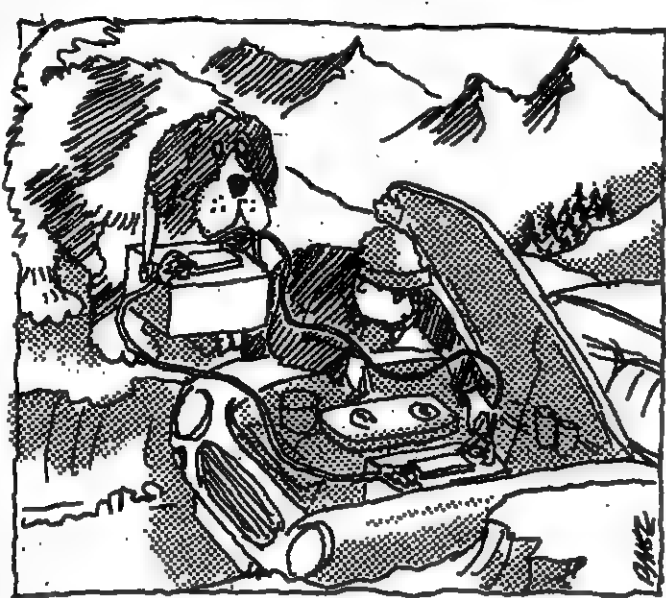
This, claims Mondial Assistance and Europ Assistance, both French-based organisations, is the role of an assistance company. As well as offering financial cover, they claim to be able to give prompt assistance throughout Europe to ensure, as far as possible, that you can continue your holiday without further trouble.

Mondial Assistance divides its package into two parts: vehicle cover and personal insurance. The first offers roadside assistance, and if necessary a tow to the nearest garage, and hotel costs up to £100 per person. If your car cannot be fixed on the spot, it provides a replacement vehicle up to £500 and repatriation of your car (up to its market value) and yourself (up to £250). All this costs £23.50 for 10 days and £27.00 for 17 days.

Mondial personal insurance, an optional extra, covers you for anything from loss of baggage to emergency return home. It includes £500,000 personal liability cover, £5,000 personal accident, £250,000 medical cover and £1,000 compensation should your holiday be cancelled, or cut short — all for £9.55 for 10 days and £11.85 for 17 days.

These are the standard terms for holiday packages, applying throughout the summer as well. But read the small print: you can multiply the cost by two and a half if you are going skiing.

To call on Mondial's assistance, you ring through to its



24 hours-a-day control centre in Croydon, Surrey. From here, its multilingual staff, including a medical team, will arrange for the nearest European agent to deal with your problem locally. Call them, they say, even with a flat tyre.

Europ Assistance offers similar service and financial cover, but with more emphasis on medical assistance. The personal insurance contract can be bought quite separately from the vehicle cover, with the option to buy medical cover only for £3.60 for 6-12 days, or medical cover plus personal travel insurance for £12.50 for the same duration. Ski-ing will set you back another £12.50, irrespective of the number of days on the slopes.

On the motoring side, both the AA and the RAC are major players offering assistance in Europe through their affiliation with the Alliance Internationale de Tourisme.

The AA insured about 750,000 UK drivers touring abroad last year, claiming to offer Britain's leading travel insurance package. The AA 5 star vehicle and travel security plan, costing £25.25 for 6-10 days (plus £3.00 for non-members), includes roadside assistance, spare parts, hotel accommodation (up to

£17.50 per person per day), additional travel costs (up to £500) and unlimited legal expenses.

The AA personal security plan is optional. Notable for its unlimited medical and emergency repatriation cover, it will cost you £9.10 for six to 10 days — multiplied by two, however, for skiers.

The RAC's equivalent vehicle cover costs £25.25 for 10 days with a £2.50 discount for members. The RAC also offers personal protection, calling on the service of Europ International for medical and emergency repatriation facilities. The personal cover costs £11.50 for 10 days, plus £15.00 for skiers.

But perhaps the RAC's best offer is its Eurocover Premier protection. For a fixed tariff of £90.00, this provides up to £3,000 to select individual vehicle and travel benefits as you wish — car hire, repairs, hotel and/or travelling costs — plus personal insurance cover for up to five passengers for a month. There is one big drawback: it is only valid in France and the Benelux countries — it is no good for the Austrian and Swiss Alps.

Rebecca Stephens

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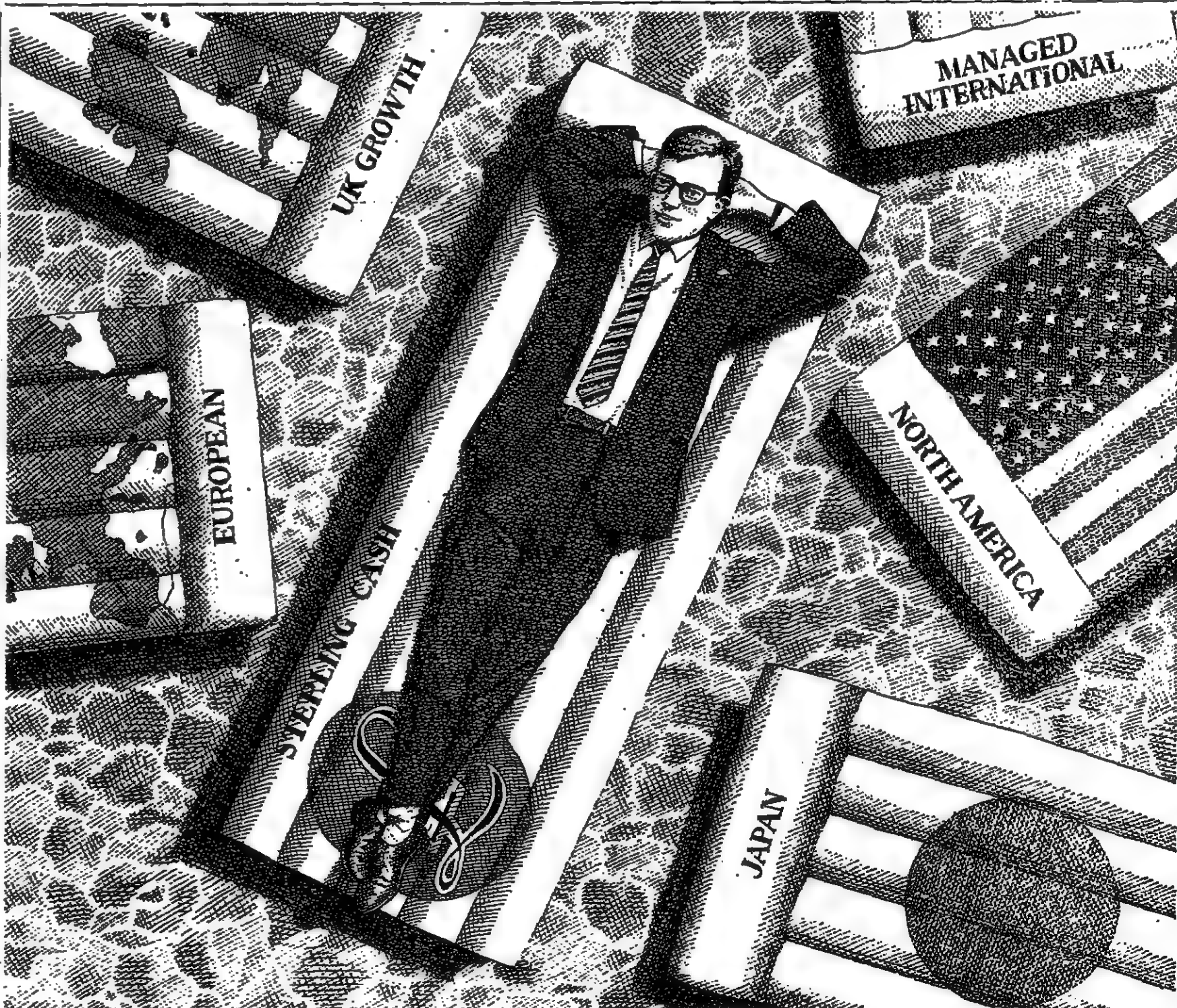
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Application has been made for shares in Henderson Global Strategy Fund to be listed on the Luxembourg Stock Exchange.

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Cold comfort for the cowboys

"ROCKABILLY" music is on permanent full blast from a plaster-splattered tranny, and the cowboys are hard at it. A few miles away in Whitehall the civil servants charged with drafting some workable method of outlawing the cash-only builders would have been there tidying their desks for the evening rush home. On site, the brickie's mate was trying to keep warm by throwing bits of broken plasterboard into the ship. He earns £25 a day, and was not planning to turn up after Friday when all these builders get paid—if it got any colder. The brickie normally gets around £80 a thousand laid, he has had £110 a thousand on a good site when they are in trouble and cleared £400 a day before now. But you do not get those jobs too often.

But on this job—as he is, by default, acting site foreman, staff negotiator, and general chef de construction, as well as the only one able to get trade prices on the endless bits and pieces the house conversion job entails—anything as straightforward as bricklaying comes as a relief. He is in for £250 a week in his hand, plus a bonus that he says to sort out in detail with the boss, who is a living, and it is indoors—or more or less indoors—for the winter.

Third man is trying to make a reconstruction of the top floor windows. He is a joiner who became a roofer by trade. But you know how it is. Now he is joining up on the general building work. There is no call for joinery these days. Last job was following the builders around on a housing estate making sense of the doors they had hung in a rush, and windows made of planks that warp before they are even fixed. You would not believe the stuff they use on some of these big sites. At least a bit of common sense can cut and fill the rot in these old houses. He scrapes

£2,333 a foot for a Thames river frontage would be a bargain on the basis of some recent Docklands land deals. Two miles up the river from Henley that price offers you a more placid outlook from Eyot Wood, Lower Ship-lake, Oxfordshire, a fully modernised, six-bedroom Edwardian country house complete with its own boathouse and slipway—and 180 ft of riverside. Eyot Wood is just 40 miles from central London; about 40 minutes by road to London, Heathrow, and the airport. Andrew Hay, of Knight Frank & Rutley (on 01-629 8171) and John Dempsey, of A. C. Prudential (0753 840266) are looking for offers over £60,000 for the freehold.



clear a section of window that he had just primed—redwood, timbers that probably came into the London docks in 1880, and still more solid than the stapled softwoods you will see on sites now.

A tea break taken on the job—the light is going and it's too cold to keep still—the grounded joiner-roofer is coy about cash. Yes, he is working, that is the main thing.

It took him seven years before they'd let him use a plane when he'd been an apprentice... they don't believe you when you tell them nowadays. He'd worked on staircases that had not a nail or a screw in them, just fine joinery—works of art. They don't

care about that now, so he'd gone roofing with his brother, but you need local authority work for that: people won't pay for a proper job.

The brickie worked for the authorities, he still does. And he'd done some time at Dockland sites this year, but there's nothing steady.

His mate hasn't ever worked. Not officially. But you've got to do something, haven't you? They get a long queue down at the Labour and you get people complaining that they'd better hurry up or they'll be late for work—you've got to laugh.

The boss? He's doing three houses down here. Done well. The banks pull his arm off if he wants to buy an old one and

divide it, because they go straight off the For Sale boards—before that sometimes, because people come in when they see the place is being done up.

You've got to pay cash, or you'd never get them out fast enough. He doesn't do the building any more, but he'll lend a hand if the lads need help. They look doubtful.

Cowboys? Too many of them about. They've ruined the business. Guarantees to buyers? "Kite" marks for builders meeting recognised standards? On the job training? Home loans only on properties built by "reputable" builders? The government plan for outlawing cowboys hasn't percolated to this site, where Mrs Thatcher is regarded as a good thing by the boss, brickie, and joiner-roofer, although subject of a cautiously dismissive grunt by the mate, who has learnt the political wisdom of avoiding politics outside the pub.

You can't become a businessman and get bogged down in all the paperwork. Free enterprise, that's the thing, isn't it? Well, here it is in action, and the buyers don't want all that kite mark stuff. The banks are happy enough. You have to stop them giving you loans.

The boss has to get off. He's got some people to meet. There's an old church hall that's on offer and it's got town houses written all over it. The lads automatically knock off as his Range Rover turns the corner. It's 6.45. They've been at it since 8. It is a cold, dark Tuesday and it's been trying to rain all day.

In cowboy territory the tranny is switched off. The brickie in this section of the black economy is reluctantly lending a finger to his temporary mate who hasn't got the bus fare home....

John Brennan

SIGNBOARD

• STRUTT & PARKER warns that the steady rise in residential values throughout 1986 in the East Midlands country house market may be running out of steam. With the prospect of a General Election, "we expect residential values to remain steady, with perhaps a reduced market over the election period."

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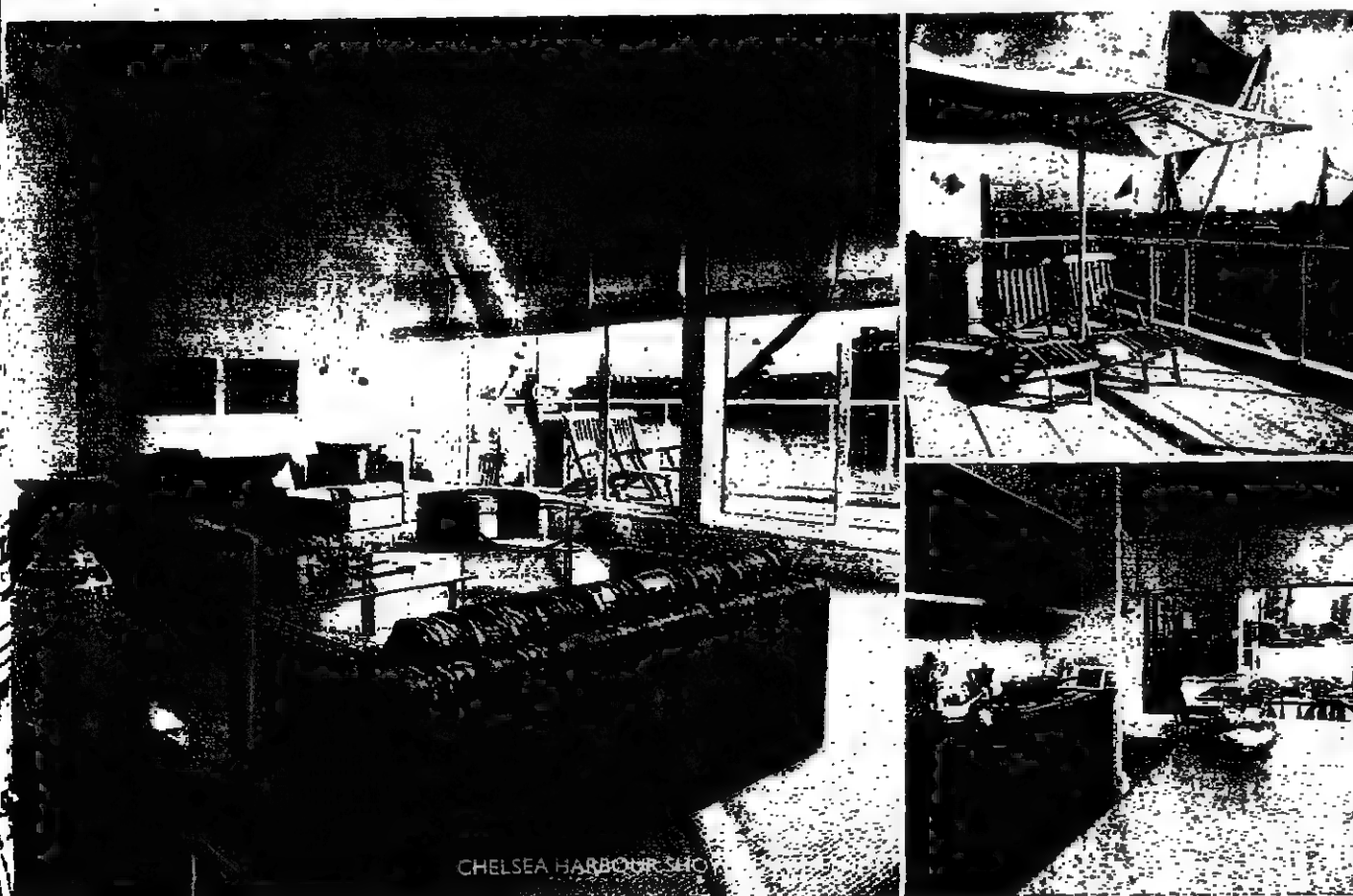
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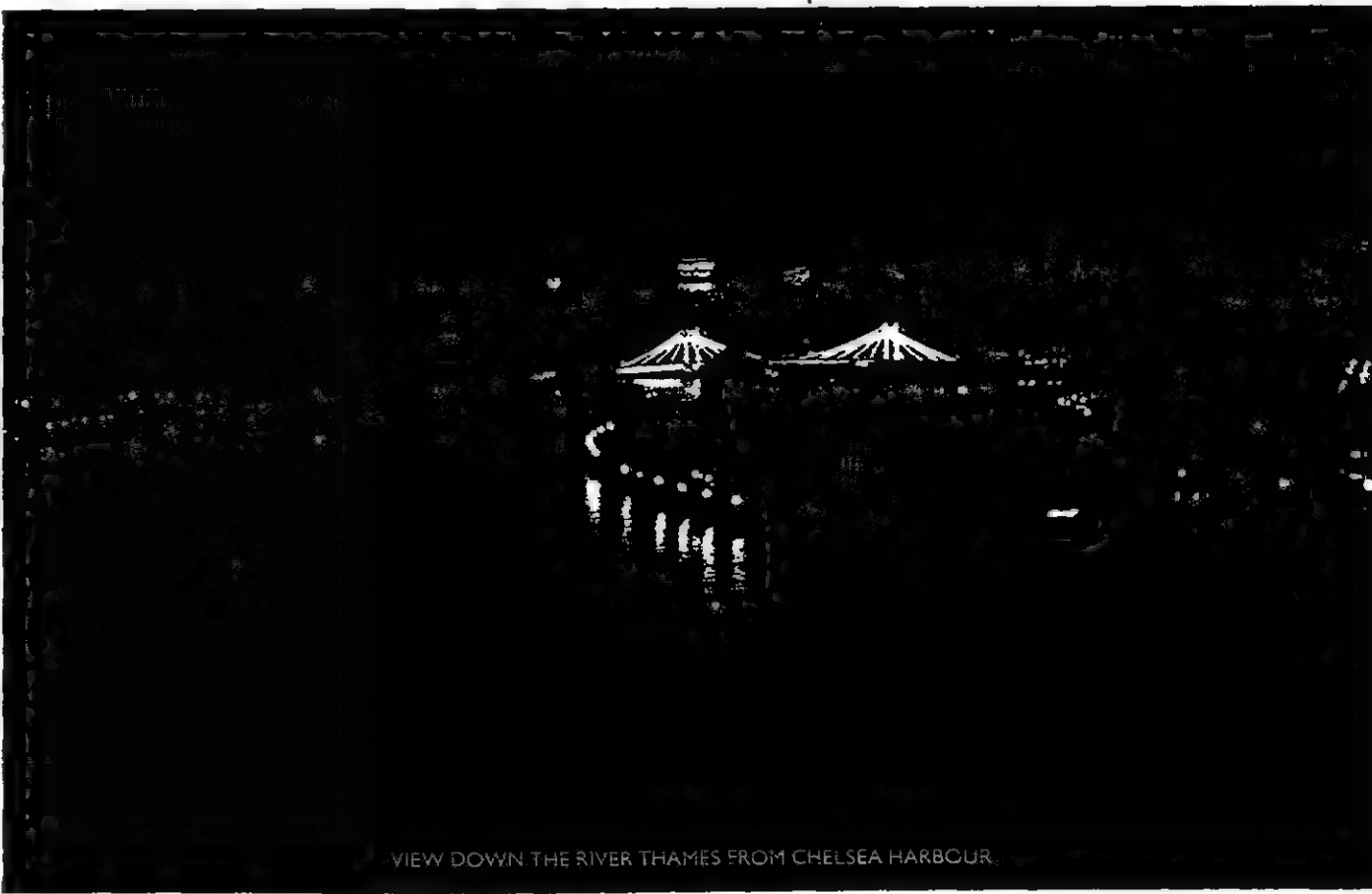
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Louise Patten reveals the scale of data-based credit assessment

Big Brother scores again



"THERE must be some mistake," murmured Jake as he fingered the crocodile leather dressing-case on the counter in front of him.

"Never—since he had made his first half-million as a reinsurer's broker—had he been so humiliated. That he, with a flat in a chic London Dockland development and a C registration Bristol Beaufort in the garage, should be turned down for credit... in Bond Street. He decided to find out why, and by whom his creditworthiness had been found unsatisfactory.

Three weeks later Jake was just beginning to comprehend the scale of personal credit assessment in the UK, not only in terms of the sophistication of access to data, but also the sheer volume of information held on individuals. He had discovered that there are a handful of agencies in the UK whose business is to collect credit information on all of us. This information is then sold to banks, retailers, credit card companies, finance houses and so on who offer personal credit facilities, to help them decide whether or not to grant credit to an individual.

As a result of recent legislation building societies are now allowed to expand beyond their traditional business of taking deposits and lending against mortgages into other areas, including personal credit. Organisations ranging from estate agents to foreign banks are also eyeing the personal sector as a potentially lucrative market for lending. This growth in the availability of personal credit will inevitably increase the need for good credit assessment.

Having discovered the existence of agencies who collect and sell credit information, Jake's next move was to scour

the provincial towns where the main credit reference agencies are located until he found an employee of one of the agencies willing to talk to him. Kate was a chatty supervisor from one of the main credit agencies, who was only too happy to explain what data was held.

She explained that the main agencies all have big computer installations loaded with the electoral roll, which gives the name and address of every voter in the country. This allows clients of the agency to check that credit applicants actually live where they say they do. As the electoral roll goes out of date fairly rapidly—people move home—it is usual for a credit applications form to ask for a former address from people who have moved within the previous two years or so.

Jake began to have an inkling of why he might have been rejected for credit. As the very model of a high-flying spiralist, he had moved home regularly over the past five years; he suspected that he was not on the electoral roll at either his present or his previous address. However, Kate explained, this would not necessarily be a reason for outright rejection of a credit application if the applicant were able to produce satisfactory proof of identity and where he lived.

Credit reference agencies also hold details of any County

Court judgments awarded against individuals. Normally, Kate said, such a judgment record, even one made several years ago, would be grounds for immediate rejection of a credit application. In addition to County Court judgment details, Kate explained that there is an increasing exchange of information between companies on their credit experience with their customers. So, for example, a customer holding a store account card from one retailer might find his application for credit from another, unrelated company rejected because his account on the first card was in arrears.

To be fair, Kate said, this ex-

change of information was often positive; a customer who was "marginal" in terms of most credit criteria might be granted credit by a company as a result of another company finding him a good credit customer.

Jake wondered whether increasing swapping of information about the credit-worthiness of individuals might not eventually lead to one or two enormous central data-bases holding the entire credit history of every adult in the UK. It would, he reflected, be almost impossible for anyone with a bank account, a credit card, or any of the normal financial impediments of modern life to avoid registration on

such a central data base; the only way to dodge would be to use cash exclusively, never using any kind of credit.

As well as collecting basic data on the electoral roll, County Court judgments, and information shared between companies, certain agencies also offer clients a highly sophisticated analysis of census data which allows credit judgments to be made on the basis of the area the credit applicant lives in. Detailed descriptions can be given on areas as small as individual postal districts. Using census data and subsequent surveys, each postal district is classified as one of a large number of housing

types which range, for example, from "high-rise, council-owned tenement" to "high-status, owner-occupied suburban" to "rural village."

From the point of view of the credit granter, residential classifications can be a valuable indicator of credit-worthiness; an applicant from a high-status suburban area would obviously be regarded as a better risk than an applicant from high-rise tenements. But neighbourhood classifications are arbitrary; they cannot take into account the one grand house in an otherwise poor district. The Archbishop of Canterbury, for instance, might find his credit status negatively affected by the

area Lambeth Palace is located in Jake's flat in the Isle of Dogs, which cost over £250,000, might well cause him to be classified as a "poor credit risk" because of the neighbourhood. As neighbourhood classifications are primarily based on census data (though updated by subsequent surveys), a long period between censuses may mean that areas recently "gentrified" may be under-rated in credit terms. (Conversely, inhabitants of areas of declining status may be viewed as a better credit risk than they may warrant.)

Jake had heard the phrase "red-lining" used for certain streets or even whole neighbourhoods flatly rejected for credit. He asked Kate whether she knew of any areas that were "red-lined." Even the valuable Kate would only say that red-lining was a very sensitive issue. But she added that she was pretty sure that the experience a company had with your neighbours would affect your own credit rating, and that some otherwise high-status neighbourhoods, which might be down-graded in credit terms if they showed a higher than expected volume of bad debt.

It was not until some weeks later that the chance remark made by Kate led him to realise that he was getting to the bottom of how personal credit is assessed. Personal credit scoring is the way in which companies offering credit take the yes/no decision of whether to accept or reject an application for credit such as the one Jake had made. "Scoring systems" have largely replaced traditional ways of granting credit where each application was reviewed individually, and a judgment made—often with a personal interview too. Judging every application individually has become impracticable for most companies offering credit; applications are too numerous and take too long to process. Also, personal judgments may be biased, whereas a computerised scoring system is impartial.

Scoring systems work by allocating "points" to various details of the information gathered on a credit applicant from his or her application form and from the credit reference agency. The company offering credit will have a "pass" score. Above this, applications will be accepted; below, rejected. This pass level will be fixed by the company in a trade-off between rejecting as few applications as possible (particularly important where applicants are already customers—for example, a bank's current account customer applying for a loan) while keeping credit losses at an acceptable level.

If credit losses are high, the company will usually charge high interest rates to compensate. This means that "good" payers are in effect subsidising "bad" ones. Most scoring systems are completely computerised; processing the applicant's information will often mean no more than keying in the credit application form details. The system will then scan the application details, automatically obtain additional information from a credit reference agency, and calculate whether or not the application achieves a "pass" score.

More sophisticated systems will even send, automatically, a rejection letter to customers who have not reached the pass score—or send an acceptance letter and other credit details (such as a credit card) to approved applicants. The terminal operator who keyed in the application may never know which applications were accepted and which were rejected.

Certain facts about an individual, Jake discovered, make her or him more or less likely to be a good credit risk. A credit application form seeks these facts. There will be considerable variations on the weighting given to each answer, depending on what type of credit the application is for, because of this, companies offering credit will all have different scoring systems.

For example, a retailer selling to teenage girls will probably weight a home telephone number very highly, because this implies that the girl has both a stable address (possibly still at home) and has paid her telephone bill. On the other hand, an applicant for a high status charge card will be assumed to have a telephone, and other factors such as age, sex and type of residence, will be weighted more heavily.

Simply by picking up a few credit application forms from banks, card companies, retailers and finance houses, and looking at the questions, Jake

could deduce which factors are important in credit scoring. Name and address are always asked—not just for obvious reasons, but also so that the company offering credit can obtain data on the applicant from a credit reference agency. Home telephone number is normally asked for because this can be an important indicator of residential stability and payment ability. Date of birth, or age, is normally asked for: for many companies the age of an applicant is vital in judging the credit risk.

Jake felt concerned that computerised credit-scoring, like any other arbitrary system, does not allow for individual exceptions. Credit scoring systems can do nothing but assess the risk of an applicant being a "bad" payer or a "good" one on the basis of information fed into the computer. By any traditional, more personal method of measuring credit-worthiness, Jake would surely merit a very good rating: a high-income-earning, property-owning, stable sort of chap; a member of the meritocracy. But because he moved home frequently and lived in a poor area, Jake had been deemed to be a bad risk. Moreover, rejection of his application for credit would also mean that he would probably find it difficult to get credit from any other company using an automated credit scoring system to judge its applicants.

Jake was determined and persistent. He thought it likely that by making direct contact with the company which had refused him credit he would get them to reverse their decision. But then he would probably have to go through the same process with any other company using credit scoring—they would all be likely to reject him on the same grounds.

Jake felt not only somewhat aggrieved, but also distinctly uncomfortable about the existence of vast data banks of credit information on all of us, and the



highly scientific way in which data can be manipulated for instant judgment to be made on whether or not an individual is likely to be a "good" credit risk. He disliked feeling that every time he used a credit card or applied for some other kind of credit, he might be adding to the store of information already held on him. As he pondered this, he remembered that on a recent business trip to the US he had noticed that it was fashionable to pay with cash.

Not a few Americans now carry high denomination notes in money clips rather than credit cards, perhaps because they also are concerned about the data on record about individual credit-worthiness and spending habits.

Jake came to a decision. While he could not remove his name from the existing data bases that held it, he could at least try not to contribute any further information about himself. That afternoon, he bought a gold money clip. He paid for it in cash.

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DIVERSIONS

Europe's elaborate old ceilings and panels are being restored.

Gerald Cadogan appraises Europa Nostra's work.

Love among the ruins

EUROPE is busier than ever at restoring its old townscapes. This week Europa Nostra (EN), the federation of European conservation bodies, announced its 1986 award winners. There were five medallists, as last year, but 30 diplomas of merit (as against 25 previously), and a great increase in candidates to 250 (163) — a most encouraging sign.

The entries show an extraordinary amount of hard work, devotion, skill and imagination across the continent to rehabilitate the building stock of our towns and villages. Before and after pictures fill the files. Dry rot is dealt with; reinforced steel joists go in; backed plasterwork is redone to give the buildings the fragile richness of its original relief decor. And everywhere old buildings find new uses.

At first it is surprising, when we pride ourselves all on our different national ways of life, that the new uses are so often the same: from Spain to Sweden old buildings are being made into culture centres and museums. On second thoughts it is not a surprise. Across late 20th century Europe we have new similar attitudes. It has become the thing and one which looks like staying to value antique buildings, and not just antiques.

The Europa Nostra Awards highlight the strengths of the conservation movement, encourage it and show what its trends are, whether it is horror of rot, sentimentality, fear of change masquerading as love of the traditional, a genuine love of the heritage, or a desire to cock a snook at the self-consciously new, or the realisation that the new may court more.

This is the ninth year of the Awards, for the first time sponsored by American Express. They may be given as much for single buildings as for whole parts of towns and cities. There are fewer entries and awards, for conservation of landscapes, although that is an eligible category. That may change in 1987, which is the European Community's Year of the Environment and the Council of Europe's Year of Rural Heritage. Switzerland's sole 1986 award is rural, for consolidation, flood control and afforestation over 15 square miles in the Reusa valley, where the river had done damage for centuries.

The 16th century palace of the Counts of Sastago in Zaragoza heads the medallists. With cloisters, galleries, staircases

and elaborate ceilings, it reminds one of Italian palazzi and exemplifies a trend—showpiece restorations of town mansions. Other large town houses honoured with diplomas are in Copenhagen (54 Bredgade), Limerick (Bishop House) and Coimbra, Portugal (Palacio di Sobre Ribres).

Two places of fin de siècle glitter win diplomas: the 1895 Grand Opera House in Belfast (now owned by the Arts Council of Northern Ireland) and the 1896 Hotel Hermitage in Monte Carlo (owned by the Société des Bains de Mer).

Places of religion and education are another group. With an apparent surplus of churches and chapels across Europe, two awards go for 13th century buildings: a chapel in Villeneuve sur Lot and the Katherinenkloster in Nürnberg—the new public library. A small monastery in Vienna (Gentzgasse 10) has been restored for parish offices and flats, and the former synagogue at Rendsburg in Schleswig Holstein (the second of the five medal winners) for a culture centre and Jewish exhibition.

The 15th-century clergy house of San Giovanni Bianco at Bergamo has kept its holy uses. Less plausibly, part of a Carthusian

monastery at Cazalla de la Sierra, Seville, has become a luxury hotel — a second entry for a future Conservationists' Hotel Guide. And a diploma also goes to the old Lord William Grammar School (1569) in Thame, now an office building owned by Estates and General.

Ports and barracks are still of value, and the Property Services Agency and the Army come out well. In Berlin the castellated red brick Smut Barracks (1885), a (British) army educational centre and library, gets a diploma.

In Scotland the formidable Fort George at Ardersier, Inverness, wins the third medal. Built for George IV's army by Lieutenant General William Skinner after the '45, and complete with magazines, stores, bakehouse, brewery and chapel, it followed the ideas of such great military architects as Vauban and was meant to be a bastion of the English rulers of Scotland. It is still a working barracks, with high standard accommodation for the troops.

In Austria, Schloss Lichtenau has been restored as a special school and for Luxembourg the Chateau de Bourglinster as a cultural centre.

The fourth and fifth medals

go for parts of towns. Kalmar in Sweden has a large project of restoring waterside buildings in the city centre, such as mills that stopped work in 1957. There are now offices and flats — the old public baths made nine flats—and a museum, of course. But it is a sound scheme, designed to make a complete and active, if historic, milieu, and not just to show isolated buildings and landmarks.

Strasbourg's Lid of Amsterdam is the other medallist for its 30-year programme of safeguarding Amsterdam and at the same time providing reasonably priced housing and buildings of social use. With the support of the Ministry of Culture and of 63 shareholders (such as the City of Amsterdam and the Dutch National Bank) it has obtained 300 listed buildings and so far restored 200 of them. It works like a housing association.

The diploma winners for parts of towns and villages stretch from Philkardou in Cyprus through Speyer and Grossweilgarten—a name in Germany, to Stockholm, Manyash and Longnor in the Peak District, and finally Whitehaven in Cumbria (with considerable funding from British Nuclear Fuels). Single buildings honoured are in Germany (Jork), Norway (Drammen) and Madrid, where Plaza de las Cortes has become an annex for the Cortes.

Bourne Mill in Cambridgeshire, probably Britain's oldest windmill, gets a diploma. Another monument of industrial archaeology is the 18th century cobalt mine and blue porcelain factory at Amot in Modum, 50 m from Oslo. Its cobalt went as far as Japan and China, and to Lima, Mexico and Stoke.

There is a lot of work to be done. Akseil Skov has restored his thatched cottage on the island of Rømø in Denmark. Built in 1737 for a whaler going to Greenland, it was listed in 1982 after restoration, for being so typical. Robert Clow and his wife have taken their Alket Castle in Ayrshire, a 15th century tower house, back to its early 17th century (and pre-Georgian) silhouette. And the painter Nikos Ghika and his wife win a diploma for landscaping at their house in Corfu—pebble mosaics, walled gardens, a bust of Byron and a place where Patrick Leigh Fermor could write much of Between the Woods and the Water.

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Bourne Mill, Cambridgeshire

Jonathan Sale examines profit and playthings

Yes to toys, no to children

THE NEWS about the exhibition at Exeter Court today is entirely bad. For children, that is. As the organisers state: "children aren't allowed." The under-ages do not normally expect to attend a trade show but this one is different. It is the British International Toy and Hobby Fair, home for five days to Gummi Bears, Bendys, Lone Star Quick-Fire Caps and a host of "surprises in store or your store."

This show aims to tickle the fancy of retailers and to give a preview of what will be on the shelves for Christmas. It is a crucial date in the calendar of the toy merchandisers, along with Harrogate, Nuremberg and New York.

"This is an in-between period in new toy development," mused Jordan Webb of the British Toy and Hobby Manufacturers Association. "There may be more new toys in New York after this year." He was, he realised, speaking before the all-favour of the products could be savoured. Like car companies, which keep the latest models under wraps until the Motor Show, many toy folk have been holding back their new lines in order to whip off the coverings today.

Few of these sparkling new concepts will be of the irritating sort that bleep and buzz and zap invaders on screens. Video games, like the aliens they depict, have died the death. Board games are back in a big way, up by between 30 per cent and 40 per cent; Waddington claim a 60 per cent increase. In 1985, the last year for which the industry's figures are available, the total was beyond the dreams of Monopoly: £280m for retail sales.

The demise of the video game is good news for Hornby, whose tiny puffers suffered from electronic gadgets in the same way as the real-life railways suffered from Beeching. When the Hornby lines were axed, the company moved into Flower Fairies, Boo Boos Cars ("the special little people who look after Baby Twinkle") and soft toys that helped them over the hard times.

Now that the first has conquered its uphill gradient—last month it chugged into the Unlisted Securities Market—the patter of even more little Boo Boo feet can be heard. "A dainty little range with colour co-ordinated hair," this collection of little horrors comes with "slow in the dark accessories," presumably to make the

dolls sitting targets, even in a bad light, for the Karate Kid Tri-Action figures. The flagship of the Hornby Boys' Division, these 6-inch delinquents chop with their minuscule arms, kick with their tiny feet and smash through the Break-Away Walls that are their matching accessories.

When it comes to sex-stereotyping playthings, Hornby does not have a monopoly (nor, incidentally, does it have the long-running Monopoly). Kenner Parker has been pleasing children, and setting parents' teeth on edge, with its Care Bears crew. "The latest 13-inch soft toys include Surprise Bear, Daydream Bear and Melody Bear, which sports a musical note symbol on its front." The company has also diversified into Disney moneys entitled Flunkeys and Range of spaceless characters known as the Nerfies.

Before the nation's adults advance on the sales force and administer karate-style chops upon their cringing frames, it should be said in Kenner Parker's defence that it is soon to release a rather more worthwhile pastime, Safety Home. This board game involves travelling back from school, with extra points for avoiding

dangerous short cuts and for answering questions on safety. Another game only too close to reality is Spitting Image, yet another spinoff from the TV series, in which players take the parts of Thatcher and Gorbachev. The object is to hide your own scandals (not, of course, that the real Mrs T. and Mr G. have any) and expose the fiddles of the other players.

Again, Wealth of Nations has a theme that sounds familiar. The object is to collar the world's resources and send rivals up Carey Street. But there is not yet, so far as I know, a board game entitled "Insider Trading" in which a major penalty is borrowed from Monopoly, "Go to Jail."

Most of the products at the fair do not border with the realistic element. The Warlock of Firetop Mountain is in a world of its own, as is How to Host a Murder. To mention Larami electric water pistols ("fire a stream of water 30 feet") and Pandi Play Pals ("animal character collectibles dressed in Welsh bannets"). Yet all are in one way deadly serious to adults.

To a child, it may be a cuddly, glow-in-the-dark body tea set. To the manufacturer, it is his bread and butter.

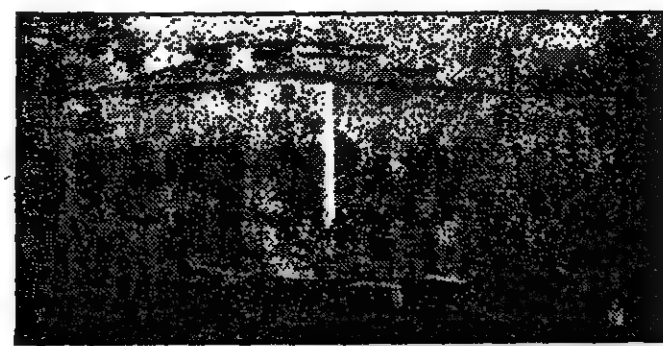
and South, an expert player, summed up the position. The contract was on ice—unless one defender held four clubs to the king and ten. He soon saw how to ensure his slam.

Winning with dummy's ace, heuffed a heart high in hand, crossed to the ace of spades, ruffed another heart and drew the last trump. He then cashed king and ace of diamonds. With the red suits eliminated, the declarer now played his queen of clubs. West covered with the king, and dummy played a ruff discard, and a low club runs to South's nine. Suppose East has the king, you say. Then East wins, and a club return from him is covered with the nine. This holds if East started with four clubs; if West can cover with the ten, the suit is breaking.

Even at pairs a player should protect a slam contract, or any "good" contract—that is, one that is difficult to reach.

E. P. C. Cotter

Picasso's bequest



NESTLED deep into green and sun-drenched Mediterranean hills, the tiny village of Vauvenargues is everything one might expect a sleepy Provencal village to be. There is a medieval chateau, a Roman church, a vine-shaded cafe terrace, a bubbling fountain. In this hillside settlement of tumbledown houses and red clay roofs, the 500 inhabitants seemingly have everything they need to live out a peaceful rural idyll. But peace they do not have.

For months, division and bitterness have ruled and the village has been split in two. In true Latin style, there have been riotous public meetings, anonymous telephone threats, and on both sides avowals of a fight to the end. Who has been the instigator of all this trouble? As provocative as death as he was in life, it is the man who lies buried in the courtyard of the chateau at Vauvenargues, Pablo Picasso.

Village feuding broke out shortly after the suicide last autumn of Jacqueline Picasso, with whom the painter spent the last 20 years of his life. Now lying beside her husband, Jacqueline's demise has raised difficult questions. For the world of art, the problem is one of disposal of her priceless collection of Picasso works.

For the tiny world of Vauvenargues, the problem is somewhat different but no less vital. Under the banner of "Per Jou Casteau" ("For the Chateau" in Provencal) half the village is fighting to turn the property Picasso bought here into a museum and cultural centre dedicated to him. Projected attendance is 60,000 visitors a year. The other half, banded into a counter-association known as Viva-Vivre a Vauvenargues is struggling to keep the village far from the reaches of tourism.

Picasso, unconcerned and perhaps amused, rests quietly in the centre of this local storm. Renowned for the almost devilish glee he took in creating controversy around him throughout his life, he seems to have intentionally planned for more of the same after his death. He left no more a clue as to the future of the chateau than he did for the settling of his \$340m estate.

"It will be worse than any one imagines," he said to a friend shortly before he died. Indeed it was. Six years of bitter legal wrangling between Picasso's numerous dependants were required before Jacqueline emerged with the lion's share.

It was with Jacqueline that Picasso first set eyes on Vauvenargues Chateau in the

autumn of 1958. The first visit was casual, a stop on the way home from Cannes from a bullfight in Arles. So much greater was the surprise, therefore, of his life-long friend and dealer Daniel-Henry Kahnweiler, when Picasso phoned him in Paris a short while later with the news "I've bought the Montagne Sainte-Victoire."

Kahnweiler, knowing of Picasso's passion for Cézanne—the painter already owned several good Cézannes—replied "Wonderful. Which one?" Picasso crowed back in triumph "The original!"

So he had, or at least part of it. The village of Vauvenargues lies at the very foot of the mountain, 15 km away from Aix-en-Provence and in the middle of the landscapes so often celebrated by Cézanne. The 5,000 acres that went with the chateau run to the very crest of the mountain. "The only master that I have ever had," Picasso once remarked, "is Cézanne." Here the artist who gave cubism to the world could quietly contemplate the landscapes that inspired the birth of modern painting.

Of the many houses that Picasso owned in southern France, Vauvenargues Chateau is unique. The others, set in the wild luxuriant subtropical growth of the Riviera, were disordered and rambling places. By contrast, Vauvenargues Chateau, with its defensive towers and outer fortifications, is austere, ordered and majestic. Spanish in its severity, it brought Picasso at the end of his life as close to his Andalusian roots as possible.

Built in the 13th century, one of its first owners was Roi René,

ruler of the then independent kingdom of Provence. It changed hands down the ages and belonged variously to Francis I, king of France, the Marquis de Vauvenargues, author of the 17th-century classic "Reflexions et Maximes," and Cardinal d'Escard, the Archbishop of Aix.

It was the cardinal who so delighted Picasso by having the body of Saint Severin—a gift from Pope Pius VII—buried under a stone altar in the chateau's north tower. How happy the saint is today, sharing the same ground with a goddess painter of nymphs, centaurs, and naked women, is a matter of conjecture.

The 76-year-old Picasso brought not only Jacqueline, 43 years his junior, to his new home in 1959. After undergoing extensive renovations costing half its original purchase price (about \$120,000 at the time), the chateau also welcomed a large part of Picasso's personal art collection. Its sparsely furnished, high-ceilinged rooms were soon decorated not only with scores of his own paintings (by this time he had kept over 8,000 of his own works), but also by the collection of Courbet, Cézanne, Matisse, Modigliani, Braque, Corot and Rousseau he had avidly collected over the years.

Picasso's Vauvenargues period, influenced in part by his "Spanish" surroundings, was characterised by a return to Hispanic themes—toreros, guitar players, and bulls. It marked the beginning of a "second" career that was to last throughout the 1960s. Here he began using bolder colour, a first step towards the forthright, highly chromatic, and

often seemingly slapdash style that was to reach such proportions in later years.

His output, as usual, was prodigious. He sketched a drawing pad in a single day, and it was at Vauvenargues that he did the series of works based on Manet's "Dejeuner Sur L'Herbe," 27 paintings and 133 drawings in all. Not even the bathroom escaped his hand. To this day carfree fauns and nymphs gambol through the greenery across its frescoed walls.

Picasso went back to the Riviera in 1961. During the next decade, his stays were infrequent and it was only his death on April 8 1973 that brought Picasso permanently back to the chateau. Thereafter it remained unvisited, visited only on the eighth of every month by a handsome middle-aged woman driving a red Mercedes, until October last year. It was then that Jacqueline, too, deeply depressed since her husband's death, came back to Vauvenargues for good.

The village remains shocked by her death, but not too shocked to be concerned about the chateau's future. In theory, the Picasso estate will now go to Catherine Hutlin, Jacqueline's 37-year-old daughter by a previous marriage. But with the estate (including what is still the largest private Picasso collection anywhere) subject to 40 per cent French government inheritance taxes, the actual settlement is far from clear. As an alternative to direct "contributions" of Picasso works to the national Picasso museum in Paris, Ms Hutlin might sell off a good part of the collection privately in order to raise the necessary funds.

The result of a flooded Picasso market, in terms of lowered prices, would be dramatic. Other options include the commercialisation of the chateau, the prospect that either delights or horrifies village inhabitants. Some see their economic salvation in the potential tourist trade. Others see an end to their tranquil life.

Not long ago Dominique Bozo, director of the National Centre for the Arts in Paris, remarked that "the death of Jacqueline Picasso poses enormous problems as much for the art market as for our national collections." Far from Paris, from art markets and national collections, the inhabitants of Vauvenargues don't see it quite that way. But for this once-peaceful village, too, the problems are enormous. Whether "Viva" or "Per Jou Casteau" emerges victorious is anyone's guess. Not even the provocative devil hurled close to the saint in Vauvenargues could be sure.

Nicholas Woodworth

FT FINANCIAL TIMES CONFERENCES

The London Motor Conference
-Manufacturing, Components and the Aftermarket

London, 17 February 1987

The Financial Times is arranging an important one-day Motor conference to be held at the London Marriott Hotel on 17 February 1987. The meeting is timed to coincide with the Autopartac '87 Exhibition being held at Olympia, 15-17 February.

The proceedings will be chaired by Mr John Neill, Group Managing Director, Unipart Group Ltd, who will give the opening address. Other speakers will include:

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Vice-President, Parts & Services Operations
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Mr Roger Pedder
Chairman and Chief Executive
Ward White Retail UK Ltd

Mr Tom Farmer
Chief Executive
Kwik-Fit Holdings plc

Mr Ian Gibson
Deputy Managing Director
Nissan Motor Manufacturing (UK)

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BRIDGE

ONE of the bad features of duplicate pairs is that, as a rule, we cannot employ safety plays — if they prove to be unnecessary the rest of the field, who have thrown safety to the winds, will receive a far larger share of the match points. At rubber bridge, where making the contract is the important thing, safety play comes into its own. The first hand comes from an average rubber:

N
AKQ
KJ75
KQ7
K83
W
J 10 9 6 4
10 9 8 7 2
Q 8 2
E
AK83
Q 10 6 2
J 8
J 10 6 5 4

North dealt at a love score and opened with two no trumps.

South replied with three hearts, and North rebid three spades, the economic cue-bid, agreeing hearts and showing the ace of spades. South now said four clubs, and North said four hearts. South made another cue-bid of five diamonds, and this encouraged North to bid six hearts, which became the final contract.

West led the knave of spades, dummy won, and the five of hearts was returned to the ace. West showed out, and the declarer went down amid all the protestations of bad luck. It was bad play, not bad luck, that caused South's downfall. As soon as dummy goes down, it is abundantly clear that only four trumps in one hand can endanger the contract. At trick two the declarer should play the king of hearts. When West shows out, South continues with the five of hearts — and what-ever East plays he can make only one trump trick. "Oh very convenient," you say. "Suppose West has the four trumps." That is no problem. The declarer crosses to his ace

of hearts, and leads the four. West can take his queen now or later, but he cannot make another trick.

We turn to duplicate pairs:

N
A962
AJ4
K10
A643
W
5 W
10 9 8 5
Q 8 7 2
K 10 8 7

E
8 4
Q K 7 3 2
J 9 6 5 4
3

South dealt with both sides vulnerable, and bid one no trump. South said three spades. North rebid four clubs, agreeing spades, and showing his lowest control. South said four diamonds, and North now bid four hearts. He has a minimum, but four trumps and three first-round controls justify this second cue-bid. South jumped to six spades, and all passed. West led the ten of hearts.



The grain for all occasions



TO SOME people rice is what you throw at weddings. To more than half the people of the world it is their main sustenance.

Where rice is a staple its importance is confirmed by etiquette and custom. In Japan a meal begins with the uncovering of the rice bowl, always held out to be filled with both hands, the rice is never eaten all at once, and when the bowl is emptied the meal is held to be finished. Not to empty one's rice-bowl is horrifying—there is a superstition that every wasted grain becomes a peckmark on a loved one's face.

In Britain rice has a lesser significance. Apart from weddings, one of its uses is as a symbolic shorthand in the denunciations of the sixties which we all so much enjoy: "brown rice" summarises a way of life, all cheesecloth shirts, hobbits and ecological homophobia. Since another thing many British people associate with rice is British rice pudding it is not surprising that rice has been undervalued here.

But our culture is beginning to change. Wine is now the preferred drink; pasta is no longer revolutionary. Rice sales are growing too, by 15 per cent each year. Partly this is because it fits the health kick.

A bland carbohydrate, rice has the admirable property of extending and even accentuating the flavour of whatever it is cooked or served with; its structure allows it to absorb the liquids of other foods. So a small amount of meat heated in a serving, it is extremely low in fat, low in sodium, gluten-free and non-allergenic. It can feed half the world because its proteins are superior (in their proportions) to any other grain.

Admittedly rice, even brown rice, contains only a small amount of fibre (Audrey Kyton makes little of it), but on the other hand it is not fattening between 106 and 119 calories for a 100g cooked serving, a similar score to pasta. Brown rice, unexpectedly, contains more calories than white rice because it has more fat as well as more everything else.

Rice is cheap, rice is non-seasonal, it needs no preparation and it needs no special storage. With all these attractions there is a drawback: it has to be cooked right. You can bake a potato for an awfully long time without making it inedible, provided you only bake it enough. With rice the opposite applies. Once cooked too much it is irretrievable. The Uncle Ben slogan, "It never sticks," makes a revealing assumption about past problems.

Yet anyone who can cook pasta can cook rice. The manufacturers must doubt this, since there are many fool-proof products coming on to the market, from boil-in-the-bag to three-minute rice. They have little to recommend them. The former seems to save mainly on the washing up. The latter is simply a can of cooked rice that needs heating through; following the instructions produces rice that is edible but soft and flavourless, and at 43p (Sainsbury) or 70p (Harrods) per small can can be absurdly expensive. Better to splash out on a heaping quartz timer.

"Easy cook" rice itself is what is known in America as parboiled, or "converted" rice. It has been steamed and then redried prior to milling. This sprouts soluble vitamins and salts through the grain and hardens it, giving it a shiny, translucent and rather yellow appearance. "Easy cook" rice takes longer to cook than ordinary rice (25 minutes compared to 15 minutes the manufacturers say) but reliably produces a separate and fluffy grain though with a less pleasing texture and taste than ordinary rice. It is more expensive than regular milled.

All rice can be classified as long (formerly "pasta"), medium or short grain. The shorter grains are required for some recipes, especially puddings, but for most savoury uses straightforward long grain (white or brown) is best. Specialty rices are essential for a few dishes. Basmati is naturally the best for pilau and Indian cooking.

An aromatic long grain, giving off an agreeably nutty smell as it cooks, it is relatively expensive (72p per pound at Sainsbury compared to 49p for ordinary long grain, 49p for "easy cook" parboiled).

The best of all aromatic rices is said to be Louisiana Wild Pecan, neither wild nor with pecan; it has an astounding popcorn aroma but is produced in very small quantities in South Louisiana, very expensive there and apparently not available here.

Italian arborio rice gives the best result in risottos. Ordinary long grain can be used but does not keep the very slightly risotto core in each grain in the midst of a creamy mass which arborio gives. Italian risotto rice

It's wild. It's fluffy and chic. David Sexton on the rice revival

as sold by supermarkets (39p per pound at Waitrose, 59p for 10lb at Sainsbury) is usually a long grain rice. It produces a reasonable result but proper arborio is a better medium grain. (It is available in delicatessens at about 70p per pound; Harrods sell a brand called SoHo at 80p for 500g). Elizabeth David's chapter on risottos in *Italian Cooking* is inspirational and unsurpassed.

Wild rice is not rice but a grass. The only grain native to the American continent, it was the staple food of the Sioux Indians; originally harvested on the shores of the Great Lakes, it is now also being farmed in California. Sadly at virtually smoked salmon prices—about £5 for 8oz—it is no longer anyone's staple, though it now appears to be becoming fashionable and is certainly more widely available (it's even an Uncle Ben's Wild Rice—£5.40 per pack at Harrods). The long thin dark grains have a burnt and nutty, almost musky

smell, and a wonderfully crunchy, springy texture. It goes especially well with game-birds as a garnish or as a stuffing, and can when cooked be extended with ordinary long grain rice if need be. (Uncle Ben's also sell a ready-mixed pack which, however, makes it impossible to cook the wild rice longer than the regular rice. Wild rice needs about 45 minutes cooking. I would urge anyone who has not tried wild rice to do so. I have found myself reluctantly deciding it is about worth its price.)

Brown rice is simply rice that has been taken out of its milling process straight after the outer hull has been removed. Usually it is long grain, though easy-cook brown Italian medium grain is available and even brown organic Basmati from health co-operatives. Evidently quite a lot of organic rice is available although it is extremely expensive, often twice the normal price, and any better taste one may imagine is being detected is commonly offset by poor quality milling which leaves inedible husks in the mouth. No doubt its devotees do not have exclusively gastronomic motives. (For the discouraged one of the best organic brown rices I've tried is Louisiana Rice at £1.96 per kg from Neal's Yard in London.)

Serving plain rice I would always choose brown for purely hedonistic reasons. It has better taste and texture, especially if you don't cook it for as long as the packets suggest. Some recommend up to 55 minutes, but you should test it after 30 or even 25 minutes. In general, as with dried pasta, the cooking times given by the packets are over-estimates for most tastes and teeth.

Brown rice costs more than white (49p per lb for American brown rice in supermarkets). There are various justifications for this, but the most convincing is from the fact that even if the rest of the milling process is not used it has to be costed since it cannot meanwhile be used for anything else, to the

fact that selling lightly milled rice exposes the original quality of the grain more. American brown rice has a perfect appearance as white rice. Other brown rices, such as the wide-spread Tilda brand from Surinam, look pretty rustic, with red, green, black, shrivelled and broken grains and husks.

More than half the rice sold here is American. Although America produces only 2 per cent of world rice, it is the second largest exporter after Thailand. Only a very small proportion of rice produced in the rice trade is consumed as a substitute crop on or near the farm where it grew: Asian rice costs up to 300 worker-hours an acre to produce, whereas highly automated American rice takes only 7 worker hours.

Advanced technology also means that American rice is cleaner and more uniform than other rices. Washing the rice before cooking it is thus unnecessary, and since most rice is now "enriched" with vitamins and minerals in the form of a loose coating, detrimental, reducing the food value.

Similarly the old method of cooking plain rice in large volumes of water has now been largely replaced by cooking in the right amount of liquid to be wholly absorbed. (For ordinary white long grain this is simply twice the volume of the rice.)

Virtually every country cooks rice differently. In South East Asian food, rosemary Brissenden remarks ruefully that "the cooking of rice is a subject that can arouse undreamt-of passions in otherwise mild people. For this reason it is usually avoided—like religion or politics—as a topic of polite conversation." All I have to say is that rice is uniquely encouraging to the individual cook, easily adapting to whatever one likes to add to it. Don't buy pre-mixed "Savoury Rice" with Golden Vegetables. Try rice with bacon, Tabasco and chives. Try it with anything. Did you know Elizabeth David's first ever food article, in *Harper's Bazaar* in 1949, was called Rice Again?

Gardening

Who cares about garden centre classifications?

Robin Lane Fox throws out the rule book

Forget the clichés

IF YOU ARE planning a garden and cannot think where to go next, try blaming the categories which we have imposed on plants. All our nurseries, garden centres and catalogues work with clear divisions: shrubs, trees, alpines, climbers, fruit trees and so forth.

They are convenient ways of thinking, but they are often an obstacle when trying to plan. Alpines, they suggest, are distinct from border plants, climbers really climb; fruit trees are for use, not appearance, shrubs are not trees, and trees do not belong in borders or shrubberies.

I have never regretted ignoring these invented distinctions. In fact, most alpines should be re-classified as small, hardy plants; they can edge borders, fill long beds or even keep company with roses. They do not need rock-gardens or bits of stone. Every owner of a climbing rose knows that by instinct, it does not want to climb; it likes to hook or drape itself over something else, frequently over its owner after a windy night at gutter level.

It is you and I who make climbers go upwards: we can, therefore, plan to let them fall forwards or run through other shrubs and trees. Very rampant rambling roses will make spectacular mounds if left unpruned and allowed to grow from where gardens merge into wilder areas.

As for fruit bushes, it is an open secret that they can look very pretty in flower-gardens. Now that apples are being grafted as miniature bushes, we can exploit the idea of low cordons of fruit, grown as edgings to borders or hedging beside paths. The French have been exhibiting this style for years, but the new grafting has made it easier to maintain.

The line between shrub and tree is most elusive. It is also worth disregarding. Many good trees can also be bought as

bushes allowing us to find room for more varieties.

If you are short of spring blossom, look for the best-known trees in their bush form. In a small garden, try the white flowered *Amelanchier* and the lovely *Prunus longipes* in this small shape; they flower very well and take up less room in return for their short season. Equally, you can prune a "tree" very hard and end up with a shrub whose leaf and bulk become focal points in a border.

I have seen this trick applied cleverly to many varieties, hornbeams, gold-leaved *Gleditsias*, the big Tree of Heaven or the charming *Ptelea* with scented

after four years are up, it will have made a small trunk.

Then you can allow side-branches to develop at eye level. This shaping gives a special emphasis to plants which other-wise branch as thick bushes. They can inspire a formal garden or a smart border. They are a wise alternative to those half-hardy standard by trees which are imported and sold every spring to unsuspecting town gardeners.

Viburnum carlesii is only one possibility. Several readers have now written to emphasise the beauty of the winter-flowering *Viburnum fragrans*, grown in a similar style. It has scented white heads of flower in winter; one lady remarks that her father's standard trees of it drew frequent inquiries from passers-by. What curious "tree" had he discovered, flowering in mid-winter at a moderate height?

There is no secret to this tree production, except patience and imagination. Begin with young unbranched plants. There is no point in wasting money on an older specimen whose branches you have to cut out immediately.

This standard pruning makes shrubs into trees and should be practised quickly and often. It is quite familiar among lilacs, although their top growth is not very neat. I have often preached it for common honeysuckles which soon develop into splendid little trees. Like standard roses, Buddleias will do much the same, though they are rather rank, and so will hibernicus which is late into leaf.

What about a standard white *Hydrangea paniculata* or an evergreen *gracilis* with rounded bright green leaves or a variegated *Rhamnus*, the latter two for sheltered places?

This clipping and shaping is not only a wise disregard of conventional classes. It is a device which can give you a theme for an entire garden plan.



flowers. After all, we use yew and beech as clipped hedging-plants, although naturally, they grow as trees.

A particular art leads in the opposite direction, making shrubs look more like trees. I referred recently to a splendid row of *Viburnum* which had been grown as small standard trees. Their scented white flowers, in the carleil form, appear in May and look like great snowballs on a small, clipped apple-tree.

The art here is to select one main shoot on a young plant, stake it, clip off all its side-branches and stop it developing a head of growth for the next three or four years. Keep tying the main stem to the trunk and

Arthur Hellyer looks at new varieties of colourful flowers

Fireworks from seed

THE MOST interesting plant I grew from seed last year was *Eccremocarpus*. Fireworks. Unwins of Histon, Cambridge, are introducing it this year and sent me some seeds in advance.

An attractive Chilean climber, it produces flowers in yellow, orange-red and crimson. These colours are natural, occurring in the wild and not developed in gardens and only the orange-red form has been at all widely grown in Britain. The yellow has been seen occasionally and I first saw the crimson in Unwins trials a couple of years ago.

I have to record that I got far more orange-red flowers from the Fireworks seed than yellow and am still awaiting crimson but not all my plants have bloomed yet so I hope crimson is still to come.

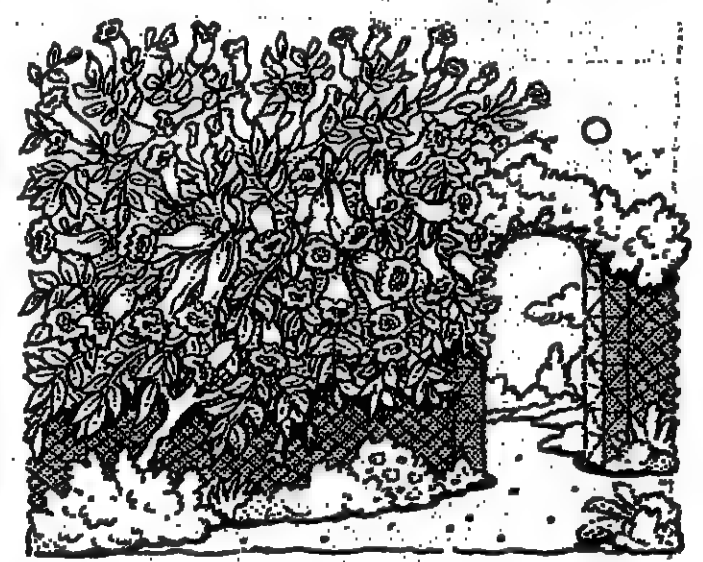
The seed germinates very easily. Because my seeds came up so well and got overcrowded as a result, some were starved, took a little time to recover and did not make enough progress to flower last summer. It would be surprising if the crimson plants also prove the least vigorous—this is usually why a particular colour is scarce.

Eccremocarpus is a slender perennial climber that supports itself by tendrils. Its leaves are doubly divided into small leaflets and its flowers are tubular but pinched at the mouth. They appear freely and continuously throughout summer and early autumn and are so unusual and attractive that people often stop to ask about them.

The plant is a true perennial but fragile and rather tender. When grown outdoors it is usually cut to ground level each winter though it frequently grows again from the roots in the spring. I have plants growing both against the sunny side of my house, where they scramble up into Japanese quince and honeysuckle, and also in an unheated greenhouse where they would be safer with sufficient heat to exclude frost.

This is an ideal conservatory plant and very cheap since a packet of seed costing 69p will give you all the seedlings you would be likely to require. Unwins list it as Chilean Glory Vine which is the popular name.

Another highly successful newcomer I grew from seed last year was *Geranium* *Gala* White. This was notable both for the speed with which it came into flower and the freedom with which it continued right up to Christmas outdoors, thanks to the mild autumn. Even now, in a little lean-to greenhouse which is heated to a minimum of only 45 degrees F (7.5 degrees C), plants that were lifted and potted in October are flowering. It has done all this without getting in the least leggy or overburdened with



Eccremocarpus Fireworks

Anna Murray

leaves. I see it in Unwins catalogue but several leading seed firms offer *Gala* Mixed, the other colours being pink, salmon, scarlet, coral-red, cerise and magenta with a white eye. I have not grown this mixture but if all the colours behave as well as *Gala* White it should be high on any list of geraniums to grow from seed.

Last year I grew several varieties of *Lythrum*, geranium, the trailing kind so useful for hanging baskets, for growing on sunny banks or for tumbling over terrace walls. All the plants I grew were clones grown from cuttings but I see that *Dobies*, now based at Fagton, Devon, is offering some as little plants ready for potting. *Dobies* (which also goes around as *Roulette*) is one of these, a rather bushy but eye-catching red and white, and there are also purple, salmon, pink, red and white varieties.

One can buy African violets (*sansevierias*), including some of the new trailing varieties, in the same way and Suttons Seeds, Torquay, offers two strains of *sansevieria* seed, *Velvet* Gems for conventional rosette plants and *Velvet* Cascade, trailing.

Begonia *Non-Stop* is gaining rapidly in popularity. It is much more interesting to look at than the rather characterless *Begonia* *semperflorens* and is more satisfactory outdoors than many of the older races of tuberous rooted *Begonia*. The plants are compact, the fully double flowers not too large to stand the weather, there are plenty of them to make a fine display and they come non-stop from June to September.

As with all *Begonia*, seed is dust-like and rather difficult to handle but you can buy plants from many sources.

I see seedling ready for potting in the *Dobies* catalogue and dry tubers ready to be

started in moist peat in the Sutton list and they are certainly available in many garden centres. The mixture contains all the *Begonia* colours—red, crimson, pink, salmon, orange, apricot, yellow and white. This is a splendid multi-purpose plant for beds on its own, for filling gaps near the front of mixed flower borders or for containers of any kind.

Most seed lists include other tubers, corms and bulbs for spring planting. There are all the familiar things such as *delphiniums*, *gladioli* and *lilies* and a few more unusual plants such as *kaffir lilies* (*schizosiphis*), *anemones* and *nerine* but for the most unexpected is a *marigold* in both Sutton's and *Dobies* catalogues that is said to bloom in summer within six to 10 weeks of planting.

Only one variety is on offer, named *Double Summercup*. But it is said to belong to a group of varieties collectively called *Turbo*. *Double Summercup* appears much like one of the double cluster flowered (*Poebus*) *marigolds* such as *Yellow Cheerful*. It is described as tender and needing to be lifted and stored dry and safe for the winter, to be replanted at any time from March to the end of July. Do I really want to persevere in summer? From a purely not, but as an incurably curious gardener I shall want to try them.

For really unusual seeds one needs to go to the Ipswich firm of Thompson and Morgan, or to the relatively new and little known Chiltern Seeds at Boreham, Essex. Chiltern Seeds and Boreham issues the most lavishly illustrated catalogue I receive, with pictures but crowds what I estimate to be well over two thousand varieties, many of them herbaceous perennials and shrubs, into its catalogue.

Champagne chemistry

AS THE Champagne industry is not slow to tell visitors to the Marne, champagne is a very expensive wine to make. First, the grapes are very costly; three or four times the price, for example, of those used on the Loire to produce sparkling Saumur by the same method. Then it has to undergo a double form of production: first into still wine, with the added problem of removing the colour from at least two-thirds of the grapes used in most blends before they start seriously fermenting; and then, after a highly skilled blending of the still wine made from grapes grown in a large number of villages, the second fermentation in bottle, created by the addition of yeast and sugar to the wine.

A non-vintage champagne has to be kept for a year after bottling before sale and a vintage one for three years. But most reputable producers aim to keep non-vintage wine for three years, and vintage for four or five: a costly capital lock-up almost unknown in the rest of France, where the growers hope to sell as much as possible of their latest wine within a year of the vintage.

But the most expensive and highly skilled operation in the champagne process—a term to be forbidden outside Champagne in EEC countries after 1991—is the *remuage*, by which the dead yeast, killed in activating the sparkle, are removed from the bottle. Thereafter this is topped up by the dosage, when variably sweetened reserve wine is added, and the new cork forced in.

It might be thought an easy task to shake the sediment down onto the cork—these days almost always a crown cork. But it is not, because this sediment is slightly greasy or sticky, and to dislodge it requires careful, prolonged manipulation by skilled *remueurs* who, by what may fairly be called slight-of-hand, each day slightly twist the bottle and gradually incline it from an initial 45 degrees to a 90 degree vertical. To do this a batch of 60 bottles is inserted in holes bored in two heavy hinged boards called *pupitres*.

Although the *remueurs* can deal with an amazing number of bottles a day—40,000 or so—the whole operation before the absolutely clear wine is ready for disgorging and topping up may take two

months or more—a very expensive and space-consuming job in the subterranean chalk galleries of the Champagne region.

If, therefore, this *remuage* could be speeded up a bottle of wine should cost less; in itself a very important consideration when champagne has to compete with an ever-increasing number of sparkling wines, whether *methode champenoise* or infused with fizz in sealed tanks.

Various machines that vibrate have been devised to shake down the sediment but the most successful has been the *gyropalette*. This is a kind of closed-in roller on an octagonal base in which 504 downward-



Wine

facing bottles at a time are mechanically shifted every eight hours to loosen the sediment and propel it onto the cork.

Computerised—and operating nights and weekends as well as normal working hours—the whole operation is completed in a week. Yet as the machines are very expensive, this is a space—rather than a money—saver.

Over the past 15 years all the leading houses have experimented with *gyropalettes*, and some have taken to them in a big way, including Taittinger, which likes to demonstrate that a greater clarity can be obtained this way than by the traditional method. On the whole, however, the industry remains unconvinced, and most champagne is still *remue* in *pupitres*.

Nevertheless, research on this has been continuing on other lines, and in 1978 Moët & Chandon bought a patent from the Institut National de la Recherche Agricole which if successful could transform in

time and cost the whole *remuage* operation. The invention or device encapsulates the yeast in a tiny alginate ball or bead (collie) without affecting their efficacy: 100 of these marble-like pills into each bottle. By turning the bottle upside down the job could be done in 30 seconds.

The problems involved chemically have been complex, but the vital question to be answered is: does it work? Is the sparkle identical the clarity the same and the bouquet and taste unchanged? That there is no immediate answer is shown by the fact that Moët, in conjunction with the technical department of the trade body, the Comité Interprofessionnel du Vin de Champagne (CIVC) have been working on this since 1980, and each year experimental bottlings have been taking place on an increasing scale. For an additional query is whether the aging of the wine is affected.

Of course the experiments have included repeated tastings by professionals and amateurs. Recently, however, in Epernay I was the first wine writer to be afforded this opportunity. One of the firm's top chemists produced two bottles of the same 1983 cuvée: one remue by the traditional method, the other by the "beads". In the company of two senior directors, I tasted blind the two wines. My reaction was that there was no difference in colour, and no great — one might say objectionable — difference between the two in taste.

But there was, I thought, a difference. The first, which turned out to be of the traditional method, seemed to have slightly more bouquet, and was perhaps a shade more complete. On the other hand the "bead" one had a slightly bigger flavour and perhaps was rather less forward.

The chemist then removed the bottles and poured them into fresh glasses, so that we were unaware of their origin. But without difficulty we all picked out the "bead" bottle. It seemed to have a slightly bigger flavour and eventually may be the better. But cuvées vary, and another one might have produced a different result. Nevertheless, the result was highly encouraging.

It seems, therefore, that the chemical problems have largely been solved, but there still remains the great difficulty of producing the *blisses* on an industrial scale sufficient to meet commercial demand. They are very difficult to keep and the yeasts are fragile, so they probably must be made and inserted (another problem) in each firm's premises.

Edmund Penning-Rowse

Peter Fort makes state-of-the-art marmalade

Unimpeachable credentials

FOR those who provide food rather than eat it this is a crucial point of the year. It is marmalade time: the few (three) weeks when the bitter oranges of Seville turn up in the shops and you can make proper marmalade.

Of course you can make marmalade out of any kind of citrus fruit: people frequently do so. Lemons, limes, ordinary oranges, grapefruit, tangerines, clementines, satsumas, rainierias can all be pressed into service. I have made very good marmalade with Texas pink grapefruit. If the purpose of marmalade is to be spread on hot buttered toast at breakfast, time then my own sympathies strain towards apricot jam, mainly of the French *cajé* au lait complet. But let us be sure: I do not lack readers for whom Seville bitter orange marmalade is beyond reproach, beyond substitute. Its unavailability across the Channel is further evidence of its breeding, its rightness, its unimpeachable credentials.

Proper marmalade is coarse, harsh and not very sweet; it persuades the Englishman that although his cold baths and long morning runs are behind him he is not going to put up with toast-and-honey-with-the-blinds-down that our French neighbours use to ease themselves into the day.

Making your own marmalade is much cheaper than buying it. The result is much nicer too. Not just that everything you make yourself is nicer; you can cut the peel into the precise shape you like to eat. A chunky yet manageable is my formula. Yours may be very different.

Whence came this important role for marmalade in British life, when nobody else cared for it? I had a friend who once told me that long after he had ceased to believe in Father Christmas he went on believing that bees make honey and that wasps make marmalade. Self-evident as it was, self-contained: a gift of nature. Do they still have Cooper's Oxford in British Rail restaurant cars?

John Bettemann, rhapsodising about his childhood, wrote of Robertson's marmalade, rather than Cooper's. There is Keillor's Dundee, too, Cooper's



FOOD FOR THOUGHT

Oxford holds sway among people who did not go to Oxford (most of us did not). Do what you like with the rest of the breakfast: eggs, bacon, kippers, kedgeree, kidneys and butter, but marmalade there must be.

We are told that the word marmalade is something to do with an ancient word for quince, and thereby hangs a tale, because quince jelly and quince cheese are the nearest things to marmalade that the French permit themselves, and these have almost magical properties. Not only do they cook down to a translucent brazen reddish colour, but they also have an assertive bitter-sweet quality that we look for in our marmalade.

In my youth I once developed a debilitating intestinal disorder while staying in a house on the Loire near Tours. No doctors were called but a Madame insisted that I eat a whole jar of her own *gêlée* de quince with a spoon. It worked, of course, as she said it would.

Marmalade isn't the only reason for better oranges. They are much better for cancer, I am told, than ordinary jaffas and we all owe duck with orange another try. To preserve them, you can stuff them in the freezer as they are, or wrap them in paper or foil. I did this last year, and now every time my freezer door is opened out they bounce, hard as little cannon-balls, all over the kitchen floor.

But buy them soon to avoid disappointment: by the middle of February they'll be gone for another year.

UPKUAL'SA

DIVERSIONS

Boys and girls come out to play

The hunt for a modern sound system baffles all but the most enthusiastic hi-fi buffs. David White explores the world of amplifiers, speakers and compact discs and recommends shops with equipment to suit every budget.



Lucia van der Post

To start at the beginning, for those for whom all this is virgin territory (the rest of you can skip) if you are looking for a decent system on which to listen to recorded music (or speech) you will need a collection of units, most of which are bought separately, and which together make up a complete hi-fi system.

You will need a needle, usually called stylus or cartridge, which fits into the record grooves. The cartridge in turn is connected to the amplifier which then transmits the sound to the speakers. The record is spun by the turntable at 33, 45 or 90 rpm. The sound is then transmitted through the arm to the amplifier which "treats" it to make the electrical vibrations suitable for hearing in your room through the speakers. Two speakers are generally used to give stereo rather than mono sound, but four or more can be used.

A cassette deck, or the latest innovation, a compact disc player, can be substituted for a cartridge/arm/turntable set, but these still need an amplifier and speakers. A compact disc player (hereinafter

referred to as a cd player) uses a laser beam instead of a cartridge and these days can be a good deal cheaper than cartridge/arm/turntable.

Against that you must remember that compact discs cost about twice as much as top-price records. They are smaller, more robust, have very little background noise when playing and do not need to be turned over. Proponents tend to go on about the purity of the reproduction; opponents say they find the sound a little mechanical and lacking in warmth (you'll have to listen and make up your own mind).

An optional extra for your system is a tuner—this means that for about another £100 or so you can get very high quality reception of everything put out by the radio.

All these parts can be fitted into a shelf or stacked unit, or indeed into a "radiogram"—sometimes very smart like those made by Bang & Olufsen. But as yet—rather remarkably—no manufacturer seems to have been able to produce an integrated unit to rival one put together from specialist units made by several companies.

There is a surprising amount of agreement among hi-fi dealers about what makes up the finest possible equipment as well as the best-value units but having said that, there is an enormous difference between a £150 "Taiwan-built" ghetto blaster and a custom-designed package at more than £20,000. Acceptable genuine hi-fi starts at about £350, while for better £1,000 and £1,200 you can expect a good quality sound from records, cassettes or compact discs—after that the law of diminishing quality returns starts to operate.

So, what do you buy for your money?



£350

Fashions in hi-fi like fashions in music itself, change all the time. The importance of a good turntable and arm seems to be stressed at the moment whereas 10 years or so ago most of the available money would probably have gone on the speakers. However, there has probably been greater improvement in speaker quality than any other area. £100 today would buy you the same quality in speakers that you would have had to pay

£200 for only two or three years ago.

At this price level it does nevertheless make sense to try to split the available money into three equal parts: speaker, amplifier, CD cassette or cartridge/arm/turntable. Prices do change and some dealers do discounts so all prices should be regarded as approximate. Speakers are priced per pair. A £350 system cannot really incorporate a compact disc player, because although prices

are coming down all the time the player alone will still set you back anything from £170 upwards.

The Dual CS505 (£109) and the Rega Planar 3 turntables (£125) have arms fitted already. The Linn Basik (£18) or KX cartridge (£35) would be good with them. Three amplifiers are fine value—the Mission Cyrus One (£140), Rotel RA 820 (£110) and NAD (£120).

Speakers were the hardest to

agree about, among the experts I consulted. The Tannoy Mercury II (£145) and the B & W DM110 (£130) were popular as were the cheaper and well-regarded Wharfedale Diamonds (£85). The Little Creek amplifier was a late recommendation (£145). It would be possible to substitute a cassette deck for the Dual or Rega and the Denon range (from £140) seems the best bet. Alva decks are also a possibility.

Chris Priestley

WHERE TO FIND SOME SPECIALISTS

Shakespeare's island may have been full of noises, sounds and sweet airs that give delight and hurt not... but these days, when nearly every home has some sort of hi-fi system it is increasingly clear that there is a noise and there is a noise reproduction.

Frankly, the sounds heard in me of the music "supermarkets" whether from records, cassettes, radio or the increasing number of compact disc players, can make it a distressing experience. The only reason most of London's Tottenham Court Road and other "high" merchants appear to be that far too many potential purchasers find it too daunting an experience to venture inside the specialist hi-fi shops with their exotic equipment and private listening rooms. Some of my experiences are as follows.

Six unannounced, anonymous visits to specialist dealers (four in London, two in the Home Counties) resulted in three immediate listening sessions, two requests to telephone and one appointment and one it-so-polite brush-off. Three of the dealers were cut from one of these resulted in an appointment which, when arrived, prompted the suggestion "hang on a bit and we'll see what we can do." I finally left to hear some music—70 minutes later.

The unannounced visit to Thomas Helmut, 35 Moscow Road, London W2, was the most

fun. I was greeted like an old friend and ushered into their one large listening room opening straight off the street. Traffic noise didn't seem to worry them as I settled down to listen to their rather limited selection of equipment. "Oh, any amplifier I do, provided it has enough power," followed my earnest request for information, and a query about CDs resulted in much the same response, although they were the only dealers who really enthused about CDs. The big Quad electrostatic speakers were recommended, as were rather aged but very compact BBC LS3/5A speakers. The addition of a Jim Rogers subwoofer was a pleasant surprise.

I remain a trifle doubtful about their whole approach to hi-fi but found it hard to resist a return visit because of the eccentric conviviality of the experience. Listening at Graham's, 66-68 Pentonville Road, London N1, was a different business. It is hard to find them in what looks like a run-down warehouse. Once inside I was greeted about what I was seeking and how much I could afford. I know this is important, but far too many dealers ignored their own advice—some were not suggested I listen to something of higher quality. In other words they were more interested in selling me equipment within my price range than convincing me to aspire to something better. This seems to me to be a major mistake. It means that to hear something better one must

either call on friends or go to a hi-fi show where one inevitably has to queue to hear top-end equipment, often in hotel rooms that are not ideal for listening.

I had two listening sessions at Graham's and, although the demonstrator clearly knew his subject he was different from the man who took my details and didn't inspire complete confidence—partly because of his slightly "cold" approach and partly because he recommended a couple of amps not really powerful enough for my needs. But a good dealer to try if you have a good idea of what you want.

The gentleman at Radlett Audio, 141 Watling Street, Radlett, Herts, was helpful, anxious to please when I rolled up at lunch and appeared deliberately vague about what I wanted. I came away encouraged by his advice about Linn equipment, less pleased by his suggested speakers, two of which had just arrived. The difference between the four pairs I heard in my price range was quite astonishing and my visit underlined for me the importance of proper speaker stands. I was quite impressed by Radlett Audio but there was far too much exotic looking "gear" that I never got a chance to hear.

Audio T, 130 West End Lane, London NW6, thought I might like some secondhand equipment they had—highly priced but still the better mid-price players. Will open almost any time to suit you—a big plus in my book.

agreed with my suggestions, without mentioning alternatives. Perhaps my choice was perfect, but he could have moved me up-market without any effort.

Studio 99, 81 Fairfax Road, London NW6, is a rather superior establishment—not really one to wander into on spec. They have a useful range of quality units; leavened by Bang & Olufsen equipment which is high on looks but not always so high on sound, even though I have owned two pieces of their range for 20 years and both are still functioning well. Studio 99 staff can seem a trifle supercilious when dealing with the simple souls known as customers—but actually I know them to be charming, knowledgeable people both in London and at their other shop in Harpenden, Herts. At Harpenden they stock a more limited range of mid-price equipment—aimed at the computer belt, perhaps—and I would suggest a London visit.

Attractive discounts are available at Sound Deals, a small outfit based in the quiet backwaters of Bedfordshire (56c Shortwood Street). Friendly service and a reasonable mid-quality range. Obviously not too much demand for the esoteric high-priced equipment, but if you are interested in a trade-in deal to take them. Slight bite against CD—but still the better mid-price players. Will open almost any time to suit you—a big plus in my book.

Probably Britain's most famous dealer is Subjective Audio, 2 Camden High Street, London NW1. A large range of top quality equipment and very pleasant service. If you are in the market for the best hi-fi then a visit is almost obligatory. However, at Subjective Audio, Audio T and Radlett Audio, the demonstrators all left the room several times, leaving records playing that I did not want to hear. Clearly they were too busy—under too much pressure.

It makes sense to take along a record you know well. At nearly all the dealers the available display records were in less than pristine condition.

Out of the ten specialist dealers visited all but two mentioned the importance of setting up equipment properly in the home and offered to do so. Clearly I imagine they might not be so keen to do so in the lowest price bracket, but once hooked on real hi-fi most people eventually upgrade their equipment.

And so to Tottenham Court Road. I first sought a cassette deck and then advice on CD. Most goods on display were of Far Eastern origin and facilities for listening were almost nonexistent. Most of the staff in the five "supermarkets" I visited would probably not have known a wicker from a flux dumper. One rather sweet Indian gentleman tried to convince me that I really wanted a Walkman instead of a CD player. Our conversation

was hilarious, particularly later when I wanted to hear some of the speakers they had piled in heaps on top of each other. The next door store was so full of eager Japanese "punters" that I gave up. I was offered pretty good HP terms on a nice Nakamichi cassette deck.

If you know precisely, and I mean precisely, what you want then Tottenham Court Road could be worth a visit—but you can probably get better prices at Comet or Dixons except on discontinued lines.

However, there are some knowledgeable dealers in the area. The curiously named Cornflake Shop, 37 Windmill St, London W1, has a small selection of low and mid-price equipment. They do not stock CD. Attentive young staff will appeal to the trendy and certainly deserve support. They should make every effort to widen their stock range. The shop is so named because they intended to open a coffee/cereal snack bar with hi-fi in the basement. It didn't quite work out that way but they provide good free coffee to potential clients.

In conclusion, specialist dealers may not be perfect—but they are in some cases—but they know a lot about hi-fi and, despite occasionally seeming a trifle jaded (perhaps understandably), they can be persuaded to give a little care and information. Their staff do not appear to be on commission which is important, and they invariably love music. They deserve patronage.

store Harrods, of course, has the most expensive non-precious buttons I have seen. It seems too much to pay £22 each for unexciting cards of hand-painted buttons from France. Although it would be different to have a little individual works of art. The ones Jean Muir uses on some of her clothes have been made with fabric in mind and are real treasures in themselves. So, next time you need a button give it a little care and thought. You might find unexpected pleasure if you treat the notion tenderly.

Tender Buttons: 143 East 62 Street, New York 10021, US.

Button Box: 44 Bedford Street, Covent Garden, London WC2. 01-240 2718. Mail Order.

The Button Queens: 19 Marylebone Lane, London W1M 5FF. 01-935 1805.

Buttons for Buttons: Mail order correspondence to: Buttons, 15 Lowerhouse Avenue, Harrogate HG1 1RZ. 0423 500202.

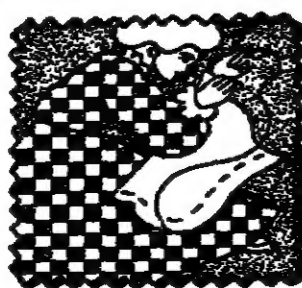
Sandra Duvall and Julie Hill, Albert Dock Village, Liverpool L3 4AA. (Write for lists of other stockists).

Carolyn Hird: Holywell Mill, Back Road, Mickleton, nr. Singley, West Yorkshire. 0274 586402.

Trisha Rafferty and Peter Hirdy: Buttons available from Buttons Box.

Karen Elder

Notions treated like treasure



IN STITCHES

from as well it has a lot to offer the button-lover.

Tender but tough, many buttons have survived much longer than the garments they adorned originally. Some were never used and have become collectors' items. The Button Queen in Marylebone High St, London, is an antique button collectors' paradise where silver and gold, enamel, steel, and hand-painted portrait buttons can be found.

It stocks some modern makes as well, including a good selection of horn—still made in England from horns sent from all over the world. The slightly translucent ones are cut from the horn's centre, while the ones with rough backs are cut from the outer part and then steamed into shape.

Real mother of pearl and paua shell are a speciality, and there are sparky paste ones set in silver, reproduction art nouveau and a parade of military brass, which reminds you that the forces always took buttons seriously.

Most of us undervalue these

essential objects that keep one side of our clothes in contact with the other. While we are happy to pay £5-£10 for a pair of fashion earrings that will languish in a drawer after one season's wear, the enduring button rarely prompts us to part with more than a few pence.

The dress pattern manufacturers also show little respect for buttons and list them, along with elastic and interfacing, under "notions required." But if you take notions to mean ideas, then a wealth of possibilities emerge. Try choosing the buttons before the fabric. The results may be more exciting than expected when these dress-makers' jewels are awarded pride of place.

The Buttons for Buttons selection of jewel-like buttons is truly amazing. In their four shops, York, Otley, Ilkley and Harrogate, they stock more than 6,000 varieties. Drusilla White inherited a whole garage full from her father—and you can get a lot of buttons in a garage. There are fabulous French glass and Florentine

enamel, leather, horn, caseln, wood, silver gilt and bronze, flowers, nobbles, and exotic shapes old and new. Her supplies are replenished by theatrical costumers and she runs a mail order service, too.

It is surprising to find young craftsmen making buttons for a living nowadays but, thankfully, they are a growing band. In Liverpool's docks, sleeves Inc makes buttons that look

like cross-sections of seaside rock or liquorice allsorts. They roll out the mixture of colours and cut it across to reveal little windows, rainbows, flowers, patterns and stripes. The results are exquisite.

Many choose porcelain for their material, and the revered potters Lucy Rie and Hans Coper, whose pots now fetch thousands of pounds at Sotheby's, made ceramic buttons for a living in their early days of pottery. Today, Trisha Rafferty's ceramic buttons are almost too pretty to use, and cheap at £2.50 a card when you consider the work. She paints the cards herself and the buttons form part of the picture. They make lovely presents for those who love decorative workaday art.

Carolyn Hird, stamping out porcelain buttons (machine washable) glazed with subtle shades and splodges, and Peter Hirdy, turning exotic hardwoods, are among those working to please the button appreciator.

The top London department

£550

Around this level things get more difficult. When you have to buy at the bottom of the tree the choice is smaller and thus generally easier. Later there is the awful experience of discovering that what you really want is just out of your possible price bracket. However, nearly all experts consulted were soon talking to me about the same makes, usually the same models.

For example, the Rega Planar 3 turntable (£188) with the RB300 arm (£90) and K9 cartridge is possible, but it would probably be more realistic to stay with the Planar Two with Ortofon MC10 (£50) or Audio Technica (£57) cartridges. The Mission Cyrus One amplifier then leaves enough cash for Rogers LS6 (£220), Wharfedale 804 (£120) or Spondor Prelude (£270) speakers—I'm just stretching the budget now.

In this price range a CD player such as the Philips 1048 or Marantz PM54 (both under £200) could be the front end, and frankly this would be the way I would go if I did not have a fairly wide selection of black vinyl discs. The experts suggest that the quality of these players is only beaten by machines costing more than twice as much as those made by Meridian and Mission.

£1200

The same CD players, or the Denon range, would probably be used in this price category. The Linn LP12 turntable (£450) is very highly regarded with Linn or other arms and cartridges. The Xerxes turntable or cheaper AR Legend are alternatives. The Linn Asaka arm costs £249. Amplifiers include the Audiolab 8000A (£300), Mission Cyrus Two (£280) and Myst TMA5 (£250). The Little Creek pre-amplifier (£150) with Quad 306 (£230) or 606 (£450) power amp is a real possibility. There are excellent integrated amps but a pre and power amp combination (in two boxes) generally means more power can be generated. This is not, however, just for the sake of sheer muscle. Some of the really big speakers need tremendous amounts of power to drive them. In the unlimited category for instance the Apogee speakers need massive power amps to get the very best from them. But a big amp that is well-constructed is like a powerful car that

handles delicately and yet gives the feeling of limitless power there when required.

The Spondor SP2 (£390) and cheaper Celestion DLS speakers (£180) were well liked. Naim power amp systems (from £650) could just squeeze into the price range and there was one vote for a pair of Epos speakers (£295) which sounded pretty good to me. The new Linn Axis turntable with arm (£300) would enable a better cartridge and bigger speakers, or even a CD player to be added to the "package."

MONEY NO OBJECT

The unlimited price category is a minefield and even some of the dealers I spoke to admitted to not having heard all the contenders. The search for sound as close to source as possible brings us into the truly exotic class with the Americans providing many of the goodies.

Disregarding the prototypes (that's a bit like putting Formula One racing cars in a road car survey) there is broad agreement only on amplifiers (pre and power amps in two or three separate boxes because this sort of equipment could probably beat an average house). The Audio Research, Krell and Conrad Johnson amps got all the votes. Prices for these range from about £3,500 to £12,000 and up.

For disc-playing the Audio Labor (£2,400) and Oracel-Premier (£2,600) turntables had their supporters as did the SME 5 (£1,140) and Zeta (£480) tonearms. Koetsu cartridges, particularly the Gold at £1,700—appear to have no equal (at least a Japanese component).

Speakers were once more the most difficult area with some favouring the Apogee range (£4,550 for the Scintillas and £12,000 for the Big One) with their tremendous sense of soundstage and sound, others the Magnephanes III (£2,880). Not to mention the cheaper British made Quad ESL 63 (£1,340). The Infinity Reference range (£3,450 upwards) and the remarkably small Celestion SL600 (£700) also had their fans. The active ATC speakers (£2,700) had great attack and their own built-in amplifiers. Even the experts were now enjoying themselves and it clearly showed.

On CD the Cambridge Audio and Sony separates are well regarded and the Nakamichi cassette decks (up to about £1,500) will take some beating.

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J. D. F. Jones looks at a new probe into the business role in South Africa

Seam running out

BLACK AND GOLD by Anthony Sampson. Hodder & Stoughton. £12.50 280 pages

THE MOST terrible thing about South Africa today is not the White government's policy of repression, or the necklacing and intimidation of Blacks by Blacks, but the sense that no one can see a realistic solution. And so we watch that beautiful, enchanting, monstrous, insane country proceed—though more slowly than the world expects—towards civil war, chaos and the grossest suffering.

This is what Anthony Sampson correctly calls a "fearful pessimism" and in this miraculously up-to-date book he concentrates on the role and significance of the Western businessman in the events of the last few years when—it is his central thesis—the Americans "pulled the plug" on apartheid.

The academics have been arguing for years about whether or not apartheid has always been a function of capitalism; the debate has a more-than-academic interest in that it concerns whether a Black-majority-ruled South Africa (Azania) is remotely likely to have time for capitalism and—might follow—for the West. Hence the recent trekking of South African liberal businessmen to Lusaka or Europe to assure Mr Oliver Tambo and his ANC command that they can be persuaded to think him a good thing.

Of course, there is a lot of nonsense talked about this. Anyone who knows South Africa is aware of the near-unanimous willingness of White businessmen over many years to endorse by their corporate policies, the actuality if not the ideology of segregation and discrimination.

But today every international company finds it necessary to proclaim its detestation of apartheid and its commitment to corporate practices which soften, and even defy, government legislation. It adds up to very little in the eyes of the Blacks—and it is this black perception which is going to matter. Western businesses which really

objected to the morality of apartheid got out years ago—like Mr Neil Waters—or had the simple good sense never to get involved. The rest is too often hypocrisy. As this newspaper reported last week Mr Gordon Waddell, one of the top men in the Anglo American group, a decent man and a Progressive Party activist to boot, has just announced he is leaving the Republic in despair; he leaves behind a major company JCI, in which the Black presence at higher levels is denisory. Who in his right mind, and with access to the history of the past 100 years, can expect South Africa's Blacks to believe that White big business has been on their side?

Until recently, that is, Mr Sampson attaches great importance to the decision of the American banks in 1963 to implement the "capital boycott" which is, or ought to be, the weapon most feared by Pretoria. He reminds us of the background: the preference of the British to hedge their bets because their exposure in the republic was, and is, so large; the new-found interest of the US in South Africa; the importance of the "hassle factor" as American banks and corporations came under wearisome domestic pressure; the manifest failure of Reagan's "constructive engagement" to win adequate reforms; the conversion of the US Congress to sanctions.

For 40 years the Africans have dismissed most Western rhetoric against apartheid, with good reason, as mere posturing; they had remained confident that the West would back them up against the communist onslaught when the chips were down. Now for the first time the Western rhetoric had been backed up by governments, as well as by banks and corporations in an unmistakable dissociation. And at the same time the Western governments—even Mrs Thatcher's—started talking to the ANC; in other words, they began to change sides.

What had happened, in just a few years? Yes, Pretoria—under pressure—had tried (is trying?) to reform as the world demands, but, of course, too slowly if not altogether too late.

the old story. The "Oppenheimer Thesis" in the 1960s argued that apartheid would wither away as a consequence of economic growth. There was some truth in this, but not enough: the new middle-class Blacks continued to be alienated because apartheid denied them a real equality—and their alienation was the more effective because of their newly-enhanced influence; the companies tried to reform but not enough of them could bring themselves to do it fast enough; they were meanwhile drawn ever tighter into apartheid's armaments industry. White businesses tried to pull away from the past, but black dissatisfaction accelerated ahead of them.

Which left the businessmen bewildered. "Where can you draw the line?" asked Mike Rowbotham (Barlow Rand) of the once-respected demarcation between politics and business, as he and his fellow "liberals" flew into private seminars in places like Leeds Castle. Back in Soweto no-one gave a damn for his dilemmas. In the meantime, too little work was being done, either by White opposition politicians (with a few honourable exceptions) or, much more importantly, by the ANC, on the detail of the political and social transition system that will be needed in any situation short of a blood-bath.

Mr Sampson's rather cursory conclusion seems to be to call on Western businessmen to stay on in South Africa—i.e. not to disinvest—and to "face up to a future Black majority". It is not clear what he means by this, which is the only serious weakness in a valuable and timely book. He even sounds a surprising note of optimism in his final pages: "It is quite true that the Africans have nowhere else to go; but for that reason they will in the end—unlike the Whites in the Deep South—face the realities of compromise, as the French colonists never did."

Do you remember De Gaulle's warning to a pious nuns delegation? "Alors, vous allez souffrir..."



Major-General Sir Charles Wilson watching the arrival of the Sadiya at Mernat Island. It is one of many illustrations to "A Good Dusting" (Leo Cooper/Secker & Warburg, £16.00). Henry Keown-Boyd's absorbing and newly researched account of the Sudan Campaigns, 1883-1899

Michael Prowse assesses a re-think about riches gained from Empire

Costing Britannia

MAHMON AND THE PURSUIT OF EMPIRE: THE POLITICAL ECONOMY OF BRITISH IMPERIALISM, 1860-1912 by Lance Davis and Robert Huttenback. Cambridge U.P. £30.00, 394 pages

JOSEPH CHAMBERLAIN, attempting to establish the doctrine of "creative imperialism" once referred to the British Empire as a "great estate". The British people, he said, were the "landlords" and it was their duty to develop the estate.

Historians and social commentators have tended to assume, after the most cursory examination of the available statistics, that British imperialism was a good business proposition: Chamberlain's landlords are usually thought to have made large profits from the estate. Indeed, in some minds the words "imperialism" and "exploitation" are nearly synonymous.

In *Mahmon and the Pursuit of Empire*, a quasi-scientific test of such assumptions is attempted. Lance Davis and Robert Huttenback, two economic historians for whom a computer printout is as familiar as an ancient manuscript, spent more than a decade rummaging through the financial files of British imperialism. Along the way they managed to provide employment for no less than 88 research assistants—a sign surely of the generosity of academic budgets in California. The principal finding of this research blitz is that, while some individuals benefited from the imperial connection, "the evidence indicates that probably at no time, and certainly not after the 1870s, were Empire profits sufficient to underwrite British prosperity." The British people as a whole, they claim, certainly did not benefit economically from the Empire.

This is a surprising conclusion. After all, many theorists—and not just Lenin and Rosa Luxemburg—have argued that the pursuit of economic gain provides the main motivation for imperialistic expansion. Is it conceivable that the Vic-

torians would have been as rich, if not even more rich, had red paint on the globe been restricted to the British Isles?

The first step on the road to this conclusion is an estimate of the relative returns on corporate investment in the home economy, the Empire, and foreign countries beyond the Colonial Office's jurisdiction. Davis and Huttenback (and the 88 research assistants) find that between 1860 and 1879 Empire returns averaged 15.4 per cent a year against 12.2 per cent and 11.4 per cent in the home and foreign sectors respectively.

However, the apparent profitability of Empire was short-lived: imperial returns plunged to 6.7 per cent between 1880 and 1913 against 8.3 per cent and 7.1 per cent in the home and foreign sectors. Taking the period as a whole, the authors conclude that there is no evidence of especially high profits. But if imperialism did not, over the long haul, offer British investors extra returns, it did impose on them extra costs. The main additional burden was the cost of defending the Empire which, argue Davis and Huttenback, was borne almost entirely by the British taxpayer.

In the Victorian era Britain was the most heavily taxed nation on earth. Britons paid about two and a-half times as much for defence as the citizens of other developed countries. Meanwhile the colonies, with responsible government, such as Canada, the defence burden was only a quarter of the average in the developed world. The inhabitants of dependent colonies such as Rhodesia paid less than a quarter of the average defence costs of under-developed countries.

The imperial subsidy did not stop at defence. Britons also underwrote administrative costs. Made infrastructure grants, subsidised interest rates and guaranteed loans. All told, argue Davis and Huttenback, the private returns from Empire investment have to be reduced by some 3.5 percentage points to reflect these social costs. Thus even during the heyday of imperial investment (1860-79), the social return

from Empire holdings was only 10-12 per cent, against 12 per cent plus in the domestic economy. In the twilight years of Empire, the imperial subsidy cut the effective return on Empire investment to perhaps only a quarter of that available at home.

The Empire was, however, a means of transferring wealth from the middle classes to the upper classes and from the provinces to London. Davis and Huttenback suggest that the middle classes faced roughly two and a half times the burden of the upper classes and thus shouldered most of the burden of empire. But they tended to invest disproportionately in domestic British companies in the early years when imperial profits were very high. The upper classes in contrast displayed a marked preference for Empire stocks.

There was also a fascinating geographical divide. London portfolios on average contained only half as many domestic securities as provincial portfolios: "the attractiveness of Empire seemed to decline almost exponentially the further one travelled north from the City."

Davis and Huttenback's arguments are likely to be heavily criticised. "Left-wingers" will resist the conclusion that imperialism was an economic waste of time because, if Britain did not gain, how could other countries have been exploited?

Non-numerate British academics are likely to resent the book's heavy reliance on statistics. Some are already arguing that its data-base is too poor to support the conclusions. It is galling, after all, to discover that a couple of Californians have dug out more facts about Britain's imperial finances than generations of Oxbridge scholars. The only way the Brits can prove the Americans wrong is by examining the figures even more carefully. The days when economic history was a matter of woolly generalisations are past.

This book, now published in the US, will be published in the UK in March.

David Churchill on the boss at M & S and his creed

Sparks fly

DON'T ASK THE PRICE: THE MEMOIRS OF THE PRESIDENT OF MARKS & SPENCER by Marcus Sieff. Weidenfeld & Nicolson. £14.95, 260 pages

MARCUS SIEFF is best known as the man who took Marks & Spencer during the 1970s from being merely a very successful chain store to becoming Britain's biggest and most successful retail operation ever.

While other family dominated firms have fallen away during the turbulent changes in retailing over the past two decades—changes covering, for example, the abolition of resale price maintenance and the introduction of self-service—Marks & Spencer grew into today's premier stores group with sales approaching £4bn a year and pre-tax profits over £350m.

Yet Sieff's memoirs are, surprisingly, often sketchy about how this transmutation came about. We are left wondering exactly what the secret of Marks & Spencer's success is, or, perhaps, the secret is really no more than Sieff's oft-repeated maxim about the importance of good human relationships.

Yet while Sieff is best known through his M & S, his memoirs concentrate heavily on the part he played not only during the Desert War but also during the critical and tense years when the State of Israel was declared and survived.

"As a youth I was perhaps more conscious of being a Zionist than a Jew," Sieff states. Ben Gurion, Israel's first Prime Minister, called on Sieff's help in the War of Independence largely as a result of Sieff's war-time experiences.

Yet Sieff was very much the nut and bolts, organisational soldier of the African campaign turning his retail experience to advantage in the provision of guns and supplies. In this, he was particularly unsuited to the fight for Israel's survival in the late 1940s when practical fighting experience was desperately needed. But, given the state of the Israeli war machine at that time, Sieff emerges as a key influence.

I decided, therefore, that my first major submission would be on the state of the so-called Israeli air force. "I have no record of my report but I well remember saying that the then air force commander was unsuitable; he was dismissed from his post within forty-eight hours."

But Sieff's real contribution to the formation of the state of Israel came about during the early 1950s when he served as a lobbyist in London against the combined forces of the pro-Arab Foreign Office of the time. His level-headed support of the Zionist cause eventually, in 1974, saw James Callaghan as Foreign Secretary, offer Sieff the job of British ambassador to Israel. Sieff declined: "Every body knows of my long and close relations with Israel and no one would believe that I would put the UK's interests first, even if I were doing so," he told Callaghan.

Callaghan believed he would, but Sieff stood fast and declined the posting. It was to Marks and Spencer's good fortune that he did. Sieff had joined Marks in 1955 at a wage of £2 10s a week—a management trainee in the Hammonds store. "I got a good grounding in the business at Hammondsmith, where I

learned that the most important person was the customer," he recalls.

Sieff remained in touch with Marks' development during the war years and the struggle for Israel's independence. It was then that he increasingly began to get involved in the running of M & S, culminating in becoming chairman and chief executive in 1977.

"My main targets, in addition to developing able leaders with greater responsibilities, were first, further to develop production in the UK and so increase employment at home; second, to improve human relations, not only in our own business but also with our suppliers; third, to increase our involvement with and contribution to the communities in which we traded; and fourth, to develop M & S overseas."

Sieff recalls how he first came across Derek Rayner in



Marcus Sieff: store of knowledge

1954, then a fledgling management trainee but destined to become Marks' first non-family chairman during its centenary year in 1984. Rayner is the only M & S executive that Sieff can recall who has avoided the two-year obligatory training in a Marks' store, largely as a result of Sieff insisting that his talents were brought into the mainstream of the business much earlier than normal.

Sieff the man comes across in his memoirs as someone who does not suffer fools gladly. It is a reputation that he has clearly established with both his colleagues and peers, even though the Sieff version of events may not always square up to those of his adversaries.

Sieff recalls those suppliers, in particular, who failed to match up to M & S's exacting standards and who were eventually weeded out. "A number of other suppliers, some of whom we had been doing business with for a considerable time, were falling by the wayside because of lack of good management and/or investment or failure to develop, they simply were not up to it."

Sieff's strength of personality even stretched to his life partner. His father had already usurped the title of Lord Sieff of Brimpton in the Royal County of Berkshire. Marcus Sieff, when awarded a life peerage in 1980, sought a similar title since he lived in the same area; eventually he compromised and insisted on being called Lord Sieff of Brimpton, of Brimpton in the Royal County of Berkshire.

"Thus a satisfactory solution was found to a very serious problem," Sieff suggests, perhaps only half-jokingly.

Peeler with pen

FURTHER PARTICULARS: CONSEQUENCES OF AN EDWARDIAN BOYHOOD C. H. Rolph. Oxford £13.50, 231 pages

THE OLD cop is on the beat once more! C. H. Rolph of the City of London Police, minus height 6' 4", and an impressive body of men whom I used to think were all recruited North of the Highland Line. A sad case of chauvinism, I fear. And mistaken.

Having, long since, hung up his baton, Rolph has happily not laid down his pen. His memory ranges widely: his mind is acute, his temperament is tolerant. This last is a virtue not always found in men of his trade. For Rolph is a Do-Gooder. By which, in his case, I mean one who really does good, not the more common sort.

This collection of reminiscences first takes us most agreeably into the London of the 1920s, a London populated by night watchmen. "Scots" (who hang about Billingsgate Market to help fish-barrows up the hill to Eastcheap), carmen, licensed drovers leading flocks of sheep over Blackfriars Bridge to Smithfield; and so on. A London where the streets paved with stone setts were crowded with different coloured buses all madly competing.

The City had still some of the pungent Dickensian flavour. The Old Bailey had a Clerk of Court with a name that the Master himself could not have bettered—Wilfrid Nops. Cockney was still spoken.

From this teeming world, Rolph was inevitably torn. Inevitably because he was a cop who wrote and was printed

in the New Statesman no less! A cop with ideas about how the administration of justice could be improved. A reformer in the Force. For such a man, the Force hardly the right place, it can be said too that many of the reforms he advocated have come into being and he has hopes of some more.

Of one of his proposals I confess I am doubtful: he would preserve the jury system in the form of lawyers, chosen by a council of representatives of such bodies as the TUC and— heaven help us!—the National Council for Civil Liberties. Would such a jury not, in fact, be a team of additional judges? If I am wrong in this, I expect Rolph to acquit me. He is, after all, a fair cop.

Fair, for example, to the men and women he met in his later years in journalism, such as Robert Frost, the American poet who thought that "great men" were only skilful opportunists: Raymond Chandler: "the job of being a writer is the only one in which you can make no money without being ridiculous."

Arthur Koestler roped Rolph in to help with a prize for the best artistic work done by a prisoner in custody. Looking at the entries, Koestler whispered that, if the first and second prize-winners were artists, he was an all-in wrestler.

Busy, perceptive and quirky, Rolph has gathered many such illuminating anecdotes, to make a delightful collection.

George Malcolm Thomson

Poets in the States

THE FABER BOOK OF CONTEMPORARY AMERICAN POETRY Edited by Helen Vendler. Faber and Faber £9.95, 440 pages

GREAT ANTHOLOGISTS have one thing in common. They choose poems which represent not only their own taste but also that of what Philip Larkin called "the age... the century in which they were written." Nothing of the latter consideration seems to have entered the mind of Professor Helen Vendler in compiling *The Faber Book of Contemporary American Poetry*.

A good anthology should lead the reader through the poetic department store, illustrate the range of goods—and leave him to make up his own mind. Prof Vendler is like those no doubt sincere but totally misguided students who howl down the opposition before it has had a chance to make its case.

What, then, is the case which Vendler has suppressed? It is the influence of William Carlos Williams on contemporary American poetry. In her book the influence is entirely that of Wallace Stevens, who is dragged into the contemporary period because "he flowered late and came into his own only after the 1955 publication of the *Collected Poems*."

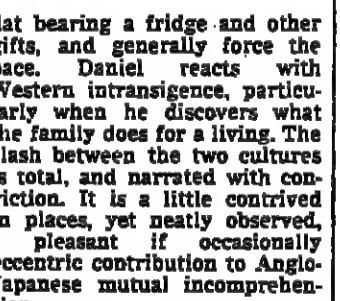
Prof Vendler has got her facts wrong. Yes, there was indeed an "age of Stevens" when every young American poet of promise seemed to be imitating the master—but that was between 1945 and Stevens' death 10 years later. By 1955 the signs of revolt were unmistakable.

From Black Mountain College Charles Olson had already

issued his "Projective Verse" manifesto and the first of the Maximus poems. His colleague, Robert Creeley, had established a new and electrifying style in *The Immoral Proposition* and *All That is Lovely in Men*. For both, the example of Williams was paramount. The Beat poets, Corso and Ferlinghetti, had to make up his own mind. Prof Vendler is like those no doubt sincere but totally misguided students who howl down the opposition before it has had a chance to make its case.

Leaving aside the highly controversial figure of Stevens, Professor Vendler's anthology starts with Langston Hughes and moves on to Theodore Roethke, Elizabeth Bishop, Robert Hayden, Randall Jarrell, John Berryman and Robert Lowell. Nothing wrong with these—except possibly Robert Hayden, who is not of the stature of the others. But what about Ogden Nash, the most serious and memorable of the American "comic" poets? What about Richard Eberhart, Kenneth Rexroth and Robert Penn Warren—all born after Langston Hughes?

If you want to talk about "late flowering" Robert Penn Warren is a prime example. In



Morris West: post-mortem plot

flat bearing a fridge and other gifts, and generally force the pace. Daniel reacts with Western intransigence, particularly when he discovers what the family does for a living. The clash between the two cultures is total, and carried with conviction. It is a little contrived in places, yet neatly observed, a pleasant if occasionally eccentric contribution to Anglo-Japanese mutual incomprehension.

Nearer home, the late Herr Hitler has been getting a bad press recently, what with one novelist, Wesel Ebersohn, accusing him of impotence and at least three others—Janice Elliott, Michael Spicer, Karen Gershon—crediting him with having fathered illegitimate children. In Mrs Gershon's *The Fifth Generation* (the iniquity of the fathers being visited only onto the third and fourth) his offspring is said to be a Jewish orphan adopted by an Anglo-Jewish couple and brought up in England after the war.

Some closer Nazis track Peter down and invite him to London. They reveal swastikas on the reverse of their lapels and produce a magnifying glass to identify the all-important initials tattooed on his behind. The story of comedy in some hands, but not in Karen Gershon's. Her story is ultimately about an adolescent youth's struggle to come to terms with himself, regardless of his true identity, yet it lacks narrative push and does not come off as well as it might.

Annie Bullen's *Air and Angels* is a little slow-moving too, an everyday story of country folk in the form of two sisters, one a glamorous if slightly model, the other a dull but happily married mother of three living somewhere out there in Sloane-on-the-Wold. Counterpoint is provided by an elderly refugee from the Nazis who writes letters to his dead wife and keeps the most appalling things in his trunk. It is, as first novels go, but sounds a bit too much like a summary of the author's past life to be utterly enthralling.

Nicholas Best

Gangster's bequest

Fiction

CASSIDY by Morris West. Hodder and Stoughton. £10.95, 251 pages

WHORE BANQUETS by Matthew Kneale. Gollancz £9.95, 155 pages

THE FIFTH GENERATION by Karen Gershon. Gollancz £9.95, 159 pages

AIR AND ANGELS by Annie Bullen. The Allison Press/Secker and Warburg, £9.95, 216 pages

CASSIDY, AS his creator Morris West cheerfully admits, is a type, a bent politician, a rip-roaring hard-drinking, cigar-smoking caucas bruiser of the kind to be found in warehouses everywhere from Boston and New York to Chile and the Vatican City. A gangster as rough as they come, as corrupt too.

This particular specimen is premier of New South Wales, in the author's native Australia. He is also dead, to all intents and purposes, for the novel is constructed around his will and the trouble it creates for Martin Gregory, his estranged son-in-law who doubles as his executor. Gregory is the son Cassidy never had, a good lawyer, as Cassidy himself was, but honest where Cassidy was a crook, upright where the older man was not. It is Cassidy's last joke that the unravelling of the will will drop his daughter's prim husband into a mess every bit as unsavoury as anything Cassidy ever had to deal with, a mess from which he will find it impossible to emerge untainted.

Drugs, prostitution, bribery, blackmail, murder—even before the will has been read and the documents sorted, Gregory is in a marked man. His life is in danger, whether from Cassidy's political associates anxious to keep the lid on a scandal, a mysterious Swiss financier keeping tabs on him from a distance, or a gung-ho Thai general whose daughter was Cassidy's mistress, he cannot be sure.

All he knows for certain is that he is in it up to his neck, and that it is Cassidy's doing. His wife accuses him of carrying on just like her father, but



Morris West: post-mortem plot

the moral choice—as so often in Morris West's work—is not as clear cut as that. It is difficult to believe in fact that even the most malicious of wills could land an executor in so much trouble, but if the basic plot is a little flimsy, there are plenty of speedboats and exploding aeroplanes to liven things up, and the picture of corruption in Australian public life comes across as an accurate reflection of the truth.

Matthew Kneale's first novel *Whore Banquets* is set in Tokyo where the author, like his hero Daniel Thayne, spent a year teaching after university. It is a romance of a sort—it was runner-up for the Betty Trask Award last year—and also a study of the profound difference between two mutually exclusive societies.

Daniel has lost his passport and is without a work permit. He teaches English illegally for starvation wages while pursuing a liaison with girlfriend Keiko, much stigmatised in her own country because of her previous divorce. She was his student, but he met her clandestinely after work without seeking permission from his employer—a shocking display of disloyalty to the company, for which he is duly punished in a very roundabout Japanese way.

Keiko's family are not happy about him either, but they decide to trap him into marriage anyway, to regulate the situation. They march into his

flat bearing a fridge and other gifts, and generally force the pace. Daniel reacts with Western intransigence, particularly when he discovers what the family does for a living. The clash between the two cultures is total, and carried with conviction. It is a little contrived in places, yet neatly observed, a pleasant if occasionally eccentric contribution to Anglo-Japanese mutual incomprehension.

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Nicholas Best

CRIME

THE SECRET OF ANNEXE 3 by Colin Dexter. Macmillan, £8.95, 176 pages

GOODNIGHT, SWEET PRINCE by Alan Hunter. Constable, £7.95, 218 pages

FOR SOME reason the Thames Valley Police are a favourite with mystery writers, and the force's ranks are swelled with

fictional officers. Oxford, too, is understandably—a popular setting for invented crime. Here, in *The Secret of Annex 3*, town is more prominent than gown. During a fancy-dress New Year's Eve party at a local hotel, a man is murdered. After the discovery of the body, the seamy—and steamy—lives of the revelers have to be investigated by Chief Inspector Morse, with his Sancho Panza Sergeant Lewis. The initial complexities are

neatly laid out, and the solution is gratifyingly concise.

A good, smooth performance by the reliable Superintendent Gently in *Good Night, Sweet Prince*. A swine of an art dealer is shot outside the White Hart in a town near Gently's country retreat. Several people, including his wife, would have good reasons to kill the man and the detective impartially weighs the evidence before reaching an answer.

William Weaver

ARTS



From Galli-Curci to Laurie Anderson, George Gershwin to Bruce Springsteen: illustrations from the new American Grove

The New Grove Dictionary of American Music, Edited by H. Wiley Hitchcock and Stanley Sadie. Macmillan, four volumes, £395.

Rich tapestry of US music

WEAVING all the strands of American music into a single, multi-hued survey is not a new idea, though it has never before been attempted on the massive and splendid scale of the *New Grove American Dictionary*. Observers from Wilfrid Mellers to John Rockwell have over the last 20 years synthesised the many aspects of American musical culture with convincing success; the idea of the existing a stylistic continuum that stretches from combinatorial serialism at one extreme to country rock at the other has been firmly established.

When I wrote about John Rockwell's fascinating *All American Music* on this page in 1985, I attempted to suggest some reasons for the surprising coherence of his subject matter, and why, for instance, such an approach could not be sustained in discussing British composers and performers. The lack of cultural ghettos delineated by class in the US is the main reason; the legacy of the state, encouraged confluence of many disparate musical fields in the years of Roosevelt's New Deal is another. The Works Progress Administration, which in the 1930s brought the likes of Aaron Copland and Elliott Carter to writing populist and popular ballet scores, confronted potentially iconoclastic musical thinkers with a larger audience in a way that must have seemed totally alien to anyone reared on the modernist tendencies of

the previous decade. The era in European musical history that began around 1910 is commonly taken to be the one in which composers and their public finally lost contact with each other. Whatever the truth of that, it was certainly not the case in America, where an authentic modernist tradition did not exist (Charles Ives lived out his life in musical obscurity) and the evolution of jazz from its dance-music origins to an art form in its own right fostered the belief that artistic radicalism was not the prerogative of an elite.

The coming together of many musical styles under the umbrella of the WPA encouraged further coherence, but more importantly it gave a common base to American music that persists somehow to this day, and allows an author like Rockwell to mention Elliott Carter and Neil Young in the same sentence without fear of ridicule, and has now encouraged the production of *The New Grove Dictionary of American Music*. There have been a number of by-products of the original *New Grove*. Dictionaries published already—single-volume studies of a composer or group of composers based upon entries in the parent edition, suitably updated and given additional documentation. *American Grove* is a far more radical departure: while some of the entries have been taken over virtually intact, more have been substantially expanded and updated, and the

majority are totally new. Some of the new material is routine and of little interest to anyone not closely involved in the American musical scene—dust-dry biographies of minor luminaries from academic life, surveys of musical life in every significant city, details of library collections and so on. But there are many that expand the range and alter the slant of the dictionary radically—moving and fascinating accounts of the music of the Indian tribes, and of the early white settlers, and especially a vast survey of jazz, rock and country music that was quite beyond the scope of *New Grove* itself.

I first plunged into the four volumes two months ago, when I reviewed the set for the *New Statesman*. That entitled reading the major articles on the crucial figures in American music—Ives, Gershwin, Cage, Carter, Babbitt (the last an especially fine introduction to the baffling complexities of his compositional system)—the general surveys, the cameos of particular favourites. I've since found myself returning often to the set just to browse, particularly among the rock listings, testing its comprehensiveness (I haven't caught it out very often) and relishing the bibliographies and discographies (a feature not included in *New Grove*, and for jazz and rock quite invaluable). In many ways it's a better read than *New Grove*: the style is less terse, more discursive, information can be more easily assimilated. The looser weave of the prose brings its own problems in some cases; there's the suspicion that the subject-area editors did not always exercise tight control on their writers, so that the balance between figures of major and minor importance is not always preserved. Some of the rock writers in particular seem incapable of using one word when they can get away with six, while their "classical" counterparts, trained no doubt in the stricter disciplines of *New Grove*, ek out words with admirable economy. I would have welcomed the chance to read, say, an appreciation of Rudolf Serkin or Isaac Stern that was as well rounded and approachable as the entries on Woody Guthrie or The Band, and the changes of tone inevitable to a certain extent when such an extensive list of contributors is involved does jar sometimes.

The scope of the dictionary is carefully defined, despite its comprehensiveness. The title is fractionally inaccurate: it is the music of the US that is covered, not the Americas, nor even North America. Canadian musicians and composers are largely excluded unless, as in the case of a number of rock performers—Neil Young, Joni Mitchell—their careers have been based in the US. Even so, it's surprising not to find an entry for the pianist Glen Gould; Canadian born, he split

his recording career quite evenly between Toronto and New York and would seem to justify inclusion just as urgently as many of the emigre composers and performers who spent some years in the US.

It might seem surprising to discover entries for Bartok and Hindemith. Schoenberg and Rakhmaninov in a dictionary of American music. The music they wrote in the United States bears no nationalistic imprimatur, and their years in the country left no tangible mark upon US composers. The biographies and work lists do concentrate upon the American years, and read rather oddly; the inward-looking attitude to European music they imply, and which may well be true of some areas of American music, is oddly out of kilter with the admirably non-isolationist tone of the remainder of the dictionary. And when alien composers have been so eagerly recruited to the ranks of American *Groves* it's odd that no space was found for Benjamin Britten, who spent four years there in the 1940s, received a number of commissions, and whose music did clearly bear the mark of his American experiences. A brief essay on Britten in America would have been useful, far more so than the entry (little more than a chronology) on Luciano Berio, who is admitted on the basis of a decade spent teaching in various East Coast universities.

But these are very minor cavils in proportion to the wealth of information buried in these pages. It is hugely enjoyable to read, as I've suggested, and still after two months acquaintance capable of providing fascinating surprises. In the course of writing this review I chanced upon the entry for "Notation" which I'd missed previously. A history of notation & is *New Grove*, from Ancient Greek to the present day, would have been inappropriate for a dictionary whose brief is so specifically American. What *American Grove* offers instead is a copiously illustrated survey, which begins with the Psalm Books of the late 18th century and delves into the fascinating divergences of 20th-century composing methods, from Copland, Ives and Partch to Cage, Crumb and Feldman. It's at once appropriate and hugely informative, with a relevance far beyond its primary American readership.

Clearly designed and spacious, produced, few current music reference books offer straightforward enjoyment and none encapsulates a culture so compellingly. I was extolling the virtues of the dictionary to a critic colleague. "I don't like it much," he offered. "There's so much in it I don't need." To anyone taking the narrow view of what musical culture is, and how one treats it, that may well be true. But for anyone tempted to take a more open-minded view of what a nation finds its musical identity, it seems to me an utterly invaluable publication, despite the unreal price.

Andrew Clements

Design

Modernism debunked

FAR TOO many architects take pride in considering themselves a race apart—not only from ordinary mortals, but also from their professional cousins in industrial design, graphics and the decorative arts. In Britain (though not in America) architecture has somehow even escaped its proper classification as a branch of design.

So a book which tries to put the design of buildings back where it belongs alongside that of other everyday objects, such as cars, cameras, ceramics, furniture, fabrics and interiors—is welcome. Doubtless so since it comes at a time when so many of the great gods of architecture, especially the dull purists of modernism, have suddenly fallen so low, and when their successors, the "post-modernists" are rampant right across the design spectrum.

"Twentieth Century Style and Design" sets itself a daunting task: surveying what it calls "the all-embracing nature of design in the first century of self-conscious, total design at every level of our living and environment." To make the job manageable it breaks the century into four neatly-labelled chapters: "the pioneers" from 1900 to 1915; ornament versus pure form in the 1920s and 1930s; austerity and reconstruction in the 1940s and 1950s; and experiment versus continuity from the 1960s to the present.

Each chapter contains three lavishly illustrated sections: on architecture and the urban environment; decorative arts and industrial design. The book was jointly—and reasonably jointly—written by an expert in each field: Philippe Garner, a director of Sotheby's and decorative art guru; Stephen Bayley, design historian and director of the Boilerhouse Project; and Bryan Sudell, architecture critic and author. In many respects they succeed in their task in spite of various irritations: the book's coffee-table format interferes with easy reading, for example, and Garner's stark distinction between design and style is artificial; design is manifestly not just concerned with function and rational form.

A more important drawback is that the "pitch" of Garner's introduction and some of the architecture sections is awkward though the book is clearly aimed at the general reader, the clarity of these pages is muddled by the use of jargon such as "modernist semiology," and by an assumption that the lay reader knows what modernism stood for: it is not until the first of the admirably clear industrial design sections that the subject of



An uncompromisingly industrial-looking fan by Peter Behrens for AEG, 1908

modernism is really opened out with a clear explanation of its creed of unadorned simplicity of technological form (or brutalistic minimalism, in its detractors' rightly call it).

The author's debunking of modernism is the main unifying theme of the book. They mount a three-cornered demolition: that the modernists' supposedly objective purism was as much affected by subjective symbolism as were the styles of any other period; that modernism was less all-embracing than generally thought (not only in traditional Britain, but also Scandinavia, and even Germany itself); and that, especially in architecture, it often simply did not work, either socially (the new urban slums of the 60s) or technically (Britain's Roman Point tower block disaster).

A second unifying theme, which is all too often ignored by art-based design critics and historians, is the seminal influence of technology on the creation of new architectural and product forms. A fascinating passage describes the development in the 1890s, in France and the US, of the reinforced concrete and steel-framed systems which paved the way for modernist and other styles of multi-storey buildings to be given light and open interiors. Likewise, the invention of electricity changed the design of household appliances, and also the structure of the industries which made them, just as the arrival of the micro-chip has now put paid to the modernist theory of "form follows function": these days the shape and appearance of a radio or a watch bears no relation whatsoever to the mechanism inside it.

Beyond the twin themes of modernism and technology, however, one has to search hard in the book's historical survey for themes which pervade both architecture and the rest of design: until, that is, one gets right up to the early 1980s, when "post-modernism" the work of Michael Graves and others began to find its way into interiors and products via the (purportedly independent) Memphis group of industrial and decorative designers.

Though the book's unifying themes are patchy, its individual sections contain much interesting potted detail for the total design ingenue(e), as well as for the reader whose knowledge extends to some particular aspect of design.

Thus the architecture buff can learn a little about the development of Japanese product design. He can explore the likely impact of new production technology on design variety and choice. And he can discover why product design is ceasing to concern mere appearance, and becoming all about experience.

Equally, the industrial design or decorative arts enthusiast can learn that post-modernist architecture was not, as most outsiders think, born in the 1970s by courtesy of the postmodernist writings of Charles Jencks, but a good decade earlier through the practical pioneering of James Stirling and Robert Venturi, and also through the latter's writings. The carbuncle-bearer can also cheer Leon Krier's current campaign against the "de-natured purgatory" of the modern city.

Despite its attempt to bridge the traditional gulf between the various design disciplines, the book cannot help but underline one of the factors which has caused the divide: the weight of obscure theory which has separated architecture—and to some extent the decorative arts—from the down-to-earth world of industrial design. Theories of modernism, constructivism, functionalism and so forth have been refreshing absent from industrial design, except among a tiny elite.

With "community architecture" now the rage, at least in Britain, there is a chance that the current year they contributed just £193,160 and they are reluctant to increase that sum. As far as the Council's biggest client, the Royal Opera House, Covent Garden; goes there is still haggling over the size of its subsidy.

Poulenc: Orchestral and choral music. Prêtre/many different orchestras and choirs. EMI Pathé Marconi EX 2910133 (five records)

Beethoven: Complete sonatas for violin and piano. Stern. 12mm 39680 and 39681 (2 records in each volume), also on cassettes and compact discs

Something that came in only with LPs, quite undreamt-of before, was the Complete Sonatas (or quartets or nocturnes or rigaudons) of X, played by Messy Y and Z. The attractions of the format have been highly varied, and deeply unreliable. In the early days they were just two principal veins: either collecting some famous interpreter's versions of all the sonatas of X (as with Schnabel and Beethoven), or else being usually for a budget-price label—good but non-famous artists to commit X's complete stuff to record, when it was stuff that even the most assiduous concertgoer would encounter live only infrequently (Beethoven's songs, Mozart's piano trios).

Products in the latter vein had to be thrifty because they were aimed at music students and university record-librarians, and often they were musically cut-rate too. The other kind of monster album landed you with vividly individual accounts of a lot of great works, and if you listened too faithfully to them you became deaf to other things. Nowadays the line is blurred: complete theses and that's by almost everybody are legion, and anywhere on a scale from simple routine (Messrs. Y and Z learned Rigaudons 14, 15 and 23 three days before the recording) to deep-studied and even inspired.

The new Poulenc and Beethoven collections have quite special virtues. The big EMI album of Georges Prêtre's

Bristol blitzed

The Arts Council has cut its grant to the Bristol Old Vic Theatre, one of the most respected regional arts companies, by £70,000, giving it just £423,500 for 1987-88. This in no way reflects the quality of the Old Vic's artistic quality. It is just the Arts Council's way of putting pressure on Bristol City Council and Avon County Council to increase their expenditure on the theatre. In the current year they contributed just £193,160 and they are reluctant to increase that sum. As far as the Council's biggest client, the Royal Opera House, Covent Garden; goes there is still haggling over the size of its subsidy.

Chris Lorenz

Antony Thornecroft

Records

Composer in bulk

Poulenc is a mere round-up of old performances and it isn't a "complete" anything—the orchestral pieces include none of the concerti (nor some incidental pieces) and the choral music omits the *Eluard cycles* *Figure humaine* and *Un soir de neige* as well as the Mass in G and several ecclesiastical motets. Yet it is a rich haul, taking in major and minor rarities besides the long-admired *Gloria* with Rosanna Carteri and the *Siebat Mater* with Régine Crespin. Recent Poulenc converts who missed the original separate releases will treasure it.

As regular readers know all too well, I think Poulenc is the best of the stock antiques in the craw of musical modernism. His music seems shamelessly reactionary, superficially clever at best, sometimes downright gauche; at every hearing you think that any day now it will sound hopelessly dated—by turns period-joke and cheaply sentimental. And still you laugh and cry: it works. Prêtre offers few piercing insights, but loyal good sense—strict up-tempo brightness, no swooning, transparent balance. Within a few years these will sound like vintage performances despite the plain imperfections of most of Prêtre's choirs.

The EMI presentation is shoddy beyond excuse: no texts, let alone notes, and not even dates of recording! In fact the chronological scope is wide. From 1921 there are Poulenc's contribution to *Les Mariés de la Tour Eiffel*, a Coteau confection for "Les Six"; from 1923 the ballet *Les Biches* (with the maddeningly unforgettable Adagietto), and from 1927 his winsome "Pastorale" for another collaboration, *L'Ecclesiaste de Jeanne*.

A gap of 10 years ensues, broken only by a neo-classical essay in the manner of Stravinsky's *Pulcinella* (but gentler), the Suite française after Claude Gervaise (1935), and the ceremonial *Deux marches* at an internade of 1937. Then came Poulenc's personal crisis and his renewed religious commitment: from the same year we get the rich and disturbing *Sécheresses* (on texts by our homegrown surrealist Edward James), and next year the sternly sweet motets "pour un temps de pénitence." During the Occupation years all Poulenc's music was poignantly fraught; the Suite from his ballet on Le Fontaine fables, *Les Animaux modèles*—never yet recorded in full—contains things that I find almost intolerably moving.

It is touching that Poulenc's biggest orchestral exercise, the 1947-48 *Sinfonietta* (a BBC commission), should have turned out so lightweight—though characteristic in every bar. "Abstract" music was something essentially foreign to the composer: who wanted texts and situations, or at least occasions for snook-cocking. The BBC still loyally mounts performances for the *Sinfonietta*: they are never as crisp and poised as Prêtre's. Then we have the splendid 1950 *Stabat Mater* and the 1959 *Gloria*, with their radiant sopranos, and between them tiny homages to Marguerite Long and old André Campra; and finally one of Poulenc's last, masterfully fished-up works, the 1962 *Sept Repens des Ténébres*.

The CBS recording of all Beethoven's violin sonatas, by Isaac Stern and his impeccably recorded partner, Eugene Istomin, has a quite different appeal. Hardly any of us know the sonatas as well as we probably should: the nicknames "Spring" and "Kreutzer" ensure regular performances for two of them, but the others suffer from being serious, unspectacular music. Stern and Istomin take them up with fierce, selfless dedication—and what they offer seems to me a model of what anybody's Complete Sonatas of X should be. Their readings don't proclaim themselves as personal visions of what Beethoven really meant. Stern is indeed what they are: energetic but dry, conscientious with the texts, recorded too close-up to imitate sweeping public-performance style. They leave appealing graces to other performers (their own "Spring" Sonata, for example, is incisive and prickly)—which is a boon we're left free to be freshly delighted by different artists, but against the tough, lean standards that Stern & Istomin set.

Their energy is electrical (not comfortable-Viennese at all), their phrasing consistently taut and high-profile; they lay bare points that future performers cannot afford to leave in soft focus. They set one's attention, not by ear-splitting tricks but by rigorous care for phrase-sense. I don't much like recordings, but these astute, astringent performances make a bracing challenge: they teach the listener just where the dynamics of Beethoven's phrasing are located, and from now on no merely ingratiating effects will do. That's just what a "complete" survey of great music should achieve.

David Murray

Chess solution No 657:
1. K-N7 (threat R-R6 ch and Q-N7 mate) and if 3 R-QN1, R-KN1 is decisive. The game went 1... N-B6? 2 R-R8 ch! and Black conceded a draw. If R-R3; 3 Q-B3 ch, K-R2; 4 Q-R5 ch, K-N1; 5 Q-QP ch, K-B1 (K-R1; 6 Q-Q8 ch and 7 Q-RP ch); 6 Q-B3 ch, K-R2; 7 Q-P ch, K-Q1; 8 Q-R, N-R; 9 Q-Q1 ch draws.

Radio

Jazz matters

THE "DIFFERENCE" in Radio 3's *Blues with a Difference* is that Kingsley Amis, choosing classic jazz records, chooses, in his words, records that are not interesting but enjoyable. As his first programme on Wednesday dealt with Bix Beiderbecke, they were all interesting and all enjoyable. I disagree with Mr Amis over some jazz matters, such as the talent of Frankie Trumbauer and the value of Paul Whitman's band (has he ever heard "There's so, honey, 'ain't so"?), but this series looks like being both enjoyable and interesting.

After all, there are as many opinions as people. I barely got a laugh out of Spike Milligan's *The Milligan Papers* (Radio 4, Wednesday), but the studio audience loved it, especially when Milligan and John Burt Foster confused their lines, or pretended to. Perhaps Paul Spencer, the producer, was in the waiting-room (special joke for listeners); or John Anonbus, who wrote the lines, wasn't sure who to give them to.

I have had a weak spot for Steve Race since the time, ages ago, when I wrote thoughtlessly about what I called the stupid faces of American jazz players, and he wrote, very politely, and put me in my place. I had never met him, and indeed I never have, but I find his voice particularly sympathetic. In *The Two Worlds of Joseph Race* (Radio 4, Tuesday) one might detect some origin of the sympathy in this story of his grandfather. Aged 12, a washer-lad in a Wearside lead-mine, Joseph Race decided to be a missionary, and at once set about being one. Luckily for us, he kept excellent diaries, and so did his wife Hannah.

Their story, as Steve Race told it, was deeply interesting and heart-warming. Joseph set out at 25, in 1873, already able to speak a few words of the Chinese in which he later became fluent, and ran a little mission at Kwanli. By the next year he had added medicine to his activities; he was ultimately able to do an appendectomy and to operate on a cancer. He studied Chinese history, art, music and philosophy. In 1876 he married Hannah, his boyhood sweetheart, in Shanghai Cathedral. In 1880 he died from typhoid in Hankow hospital and Hannah brought her three children home. Christian Rodska and Elizabeth Proud played the Races and Steve Race spoke the commentary with the exact allowance of sentiment.

The drama schedule went

slightly awry this week. At 8.15 on Monday on Radio 4 we had, not the Monday Play, but a feature about *Redd Foxx*. The play came at 9.05 and ran only 40 minutes. After *The First Death* by Richard Statten, dealt with two children in a deep shelter after a nuclear bombing (Caleb Fernandes) has been blinded, but still feels it his duty to look after his little sister, Annalee (Melita Gungl), who does not understand what is happening. The details of such an existence were drawn with a painful probability that I found alarming and distressing, just as it should be.

Something nearer to what, until lately I have thought of as a typical Monday Play came from Radio 3 on Friday. Almost it was what, until lately, I should have called a typical Saturday play. It was, at any rate, a typical Barrie Keeffe play about a teenage working-class offender who is presented with a sympathy that almost suggests approval. Buddy, in Borsal for nicking cars, chances to be with one of the screws when a slip on a muddy bank drives a pointed stick through the screw's chest (with some horrifying sound effects). Buddy, believing that he will be blamed, absconds and starts a round of adventures among sundry villains that are fairly exciting but hung too tightly on a line of coincidences.

Too often the characters are made to meet at dramatically the right time in exciting encounters that reek of the comic strip. Ronnie, Buddy's burglar brother-in-law, ends up in the hands of the law, but Buddy, being a teenager down on his luck, is allowed his freedom, stowing away on a ship bound for Brazil. Teenage wrongdoers never seem anything but misunderstood in Mr Keeffe's plays. The playing, under Richard Wortley's direction, was uniformly good, with Julian Firth as the East End Cockney Buddy, Clive Mantle as Ronnie, Harold Innocent as a drunken gay Labour peer and Richard Durand as the priest.

Sunday night *Was Burns Night*, and Radio 4 repeated a lovely programme from Radio Scotland that they gave last year (Donald Campbell's *The Miller's Race*). This followed the charming correspondence between Burns and his current girl, with a series of Scottish songs sung by Jean Redpath and Rod Paterson.

B.A. Young

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